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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x

JOHN L. EDMONDS, et al.,
Plaintiffs,

Case No.
- against - 08-CV-5648 (HB)

ROBERT W. SEAVEY, et al.,
Defendants.

-----x

April 21, 2009
10:20 a.m.

DEPOSITION of ORLEY GEORGE CAMERON,
taken by the Parties, pursuant to Subpoena,
held at the offices of Herrick, Feinstein,
LLP, 2 Park Avenue, New York, New York
10016, before Donna A. Metz, a Registered
Professional Reporter and Notary Public in
and for the State of New York.

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APPEARANCES

M. DOUGLAS HAYWOODE, ESQ.
Attorney for Plaintiffs
71 Maple Street
Kings Chancery
Brooklyn, New York 11225-5901

HERRICK, FERTBERG LLP
Attorneys for Defendants Robert W.
Seavey, Phyllis M. Seavey, Avery B.
Seavey, Ronald B. Seavey, Ronald Dawley,
Edison Management Company, LLC and
The Seavey Organization
2 Park Avenue
New York, New York 10016
By: M. GABRIEL TRACER, ESQ.,
of Counsel
(File No. 0955-036)

WILSON ELZER MOSKOWITZ
EDELMAIR & DECKER LLP
Attorneys for Defendant Marks
Paneth & Shron
3 Garnett Drive
White Plains, New York 10604-3407

By: WILLIAM J. KELLY, ESQ.,
of Counsel
(File No. 01439-00148)

ALSO PRESENT:

JOHN L. EDWARDS
PHYLLIS M. SEAVEY
RONALD DAWLEY

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STIPULATIONS:

IT IS HEREBY STIPULATED AND
AGREED by and between the attorneys for
the parties hereto that signing and
filing of the within deposition be and
the same are hereby waived; and that the
transcript may be signed before any
Notary Public with the same force and
effect as if signed before the Court.

IT IS FURTHER STIPULATED AND
AGREED that all objections, except as to
the form of the question, shall be
reserved to the time of trial.

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ORLEY GEORGE CAMERON,
having been duly sworn by the Notary
Public (Donna A. Metz), was examined
and testified as follows:

EXAMINATION

BY MR. KELLY:

Q. Good morning, Mr. Cameron.
My name is Bill Kelly. I represent
defendant Marks Paneth & Shron in the action
that brought us here today known as Edmonds
against Seavey, et al.

I'm going to ask you a series of
questions this morning. If you don't
understand me or if you don't hear me, please
let me know. I will rephrase or I will speak
louder.

If you do answer the question, we
will assume that you understood it and that
you heard it and that your answer is to that
question.

A. Um-hum.

Q. Are you represented by counsel here
today?

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Orley George Cameron
THE WITNESS: Am I?
MR. HAYWOODE: I think he is
represented by independent counsel, but I
am here to assist, you know.

But he has no independent attorney.

THE WITNESS: Do I need one?

MR. KELLY: It's not for me to
answer your questions today.

MR. HAYWOODE: Perhaps if you come
to that conclusion at any time you will
tell Mr. Kelly and then you will have to
arrange to get a lawyer.

I don't know.

MR. KELLY: I am going to ask the
court reporter to mark the Subpoena to
Orley Cameron as Defendants' Exhibit 13.

(Copy of Subpoena issued to Orly
Cameron (sic), marked Defendants' Exhibit
13 for identification, this date.)

Q. Mr. Cameron, did you bring any
documents with you here today in connection
with this matter?

A. Yes.

Q. What documents did you bring with

2 (Pages 2 to 5)

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<p>1 Orley George Cameron</p> <p>2 you today?</p> <p>3 A. I brought with me a couple of</p> <p>4 correspondence between our firm Cameron,</p> <p>5 Griffiths & Pryce and Daiton Management.</p> <p>6 Some of them were directed to Marks</p> <p>7 Paneth, yes.</p> <p>8 Q. Did you bring any timesheets or</p> <p>9 diaries reflecting -- first, did you bring any</p> <p>10 timesheets reflecting time spent in connection</p> <p>11 with this engagement?</p> <p>12 A. No.</p> <p>13 Q. Did you bring any billing records in</p> <p>14 connection with this engagement?</p> <p>15 A. No.</p> <p>16 Q. I am going to ask the witness to</p> <p>17 look at Exhibit 13, please.</p> <p>18 Have you ever seen this Exhibit 13</p> <p>19 before today?</p> <p>20 A. Yes.</p> <p>21 Q. Were you served with this subpoena</p> <p>22 in a civil case prior to your appearance here</p> <p>23 today?</p> <p>24 A. Yes.</p> <p>25 Q. When you were served with the</p>	<p>6 8</p> <p>1 Orley George Cameron</p> <p>2 A. We generally bill the client based</p> <p>3 on estimated time. We have a budget and we</p> <p>4 negotiate a price at the beginning of the</p> <p>5 engagement.</p> <p>6 Q. Do you bill by the hour or by some</p> <p>7 other method?</p> <p>8 A. We are billing is based on estimated</p> <p>9 hours, but we don't bill by the hours.</p> <p>10 We determine upfront based on an</p> <p>11 assessment of what the engagement might be and</p> <p>12 then we determine what the price should be.</p> <p>13 Q. So starting a new engagement or an</p> <p>14 engagement with the clients, is it correct to</p> <p>15 say that you estimate the amount of time you</p> <p>16 anticipate spending on that engagement --</p> <p>17 A. Yes.</p> <p>18 Q. -- agree to that total with the</p> <p>19 client for the total sum fees and that's how</p> <p>20 you bill your clients?</p> <p>21 A. Correct.</p> <p>22 Q. Is that how you billed Mr. Edmonds</p> <p>23 in this case?</p> <p>24 A. Correct.</p> <p>25 Q. Prior to or at the time of the</p>
<p>7</p> <p>1 Orley George Cameron</p> <p>2 subpoena, did you review the subpoena?</p> <p>3 A. Yes.</p> <p>4 Q. Did anybody instruct you not to</p> <p>5 bring documents with you today that may have</p> <p>6 been called for in the subpoena?</p> <p>7 A. No.</p> <p>8 Q. Can you tell me why you did not</p> <p>9 bring any timesheets in regard to your</p> <p>10 engagement here with Mr. Edmonds?</p> <p>11 A. We don't keep timesheets.</p> <p>12 Q. When you say "we," are you referring</p> <p>13 to the firm Cameron Griffiths & Pryce?</p> <p>14 A. Yes.</p> <p>15 Q. How does Cameron Griffiths & Pryce</p> <p>16 keep a record of the time spent on any</p> <p>17 particular engagement?</p> <p>18 A. We keep a record of the time in the</p> <p>19 workpapers, some of the workpapers that we do.</p> <p>20 Generally we don't keep regular</p> <p>21 time. We estimate the time that any</p> <p>22 engagement would have taken us and we work</p> <p>23 within that time.</p> <p>24 Q. Do you bill your clients for the</p> <p>25 time you spend on an engagement?</p>	<p>9</p> <p>1 Orley George Cameron</p> <p>2 engagement, how much time did you estimate you</p> <p>3 would bill Mr. Edmonds for this engagement?</p> <p>4 A. We -- based on having discussed with</p> <p>5 Mr. Edmonds and based on the fact this is an</p> <p>6 organization and we ask him, that is being</p> <p>7 audited over a period of time, we estimate it</p> <p>8 should not take us more than at most two, two</p> <p>9 and a half months. It's on that basis we</p> <p>10 determine, and two and a half months only to</p> <p>11 the extent we have to wait for confirmation.</p> <p>12 Q. Did you come to an amount that you</p> <p>13 thought would be the appropriate fee when you</p> <p>14 first were engaged by Mr. Edmonds?</p> <p>15 A. Yes.</p> <p>16 Q. What was that amount?</p> <p>17 A. We agreed on 1 percent of revenues</p> <p>18 for each project.</p> <p>19 Q. Did you have an understanding at the</p> <p>20 time you started the engagement of what the</p> <p>21 approximate revenues were for each project?</p> <p>22 A. Yes.</p> <p>23 Q. What projects are you referring to?</p> <p>24 A. Logan, Church Home, Charles Hill,</p> <p>25 Lakewood.</p>

3 (Pages 6 to 9)

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1 Orley George Cameron

2 Q. What was your understanding at the
3 time you started your engagement for the
4 revenues for each of those projects?

5 A. Lakeview we understand was
6 approximately five million.

7 Church -- Logan was a little less
8 than a million.

9 And Church Home was approximately
10 two million, were approximately two million.

11 Q. So, if my math is correct, you
12 anticipated about eight million dollars of
13 revenue for the projects?

14 A. Yes.

15 MR. HAYWOODE: I am sorry, Bill.

16 Can I hear the numbers again?

17 Five for Lakeview.

18 Two for Church Home.

19 MR. KELLY: And one for Logan.

20 THE WITNESS: About 1.5.

21 MR. HAYWOODE: 1.5 for Logan?

22 THE WITNESS: Um-hum.

23 Q. And how much did you anticipate for
24 Church?

25 A. Approximately \$2 million.

11

1 Orley George Cameron

2 MR. HAYWOODE: So it's a higher
3 number.

4 Q. So adding in now the Church amount,
5 you anticipated about \$10 million of revenue
6 for these projects?

7 A. I think we estimate approximately
8 \$9.5 million, thereabouts, \$10 million.

9 Q. Do you know how much you have
10 charged Mr. Edmonds thus far for your work in
11 connection with this engagement?

12 A. Well, it's approximately 1 percent
13 of that bill and that was what we had agreed
14 on.

15 Q. Have you been paid by Mr. Edmonds
16 the amount of money you have charged him?

17 A. Yes.

18 Q. Do you anticipate charging
19 Mr. Edmonds any additional fees?

20 A. Well, we have to do additional
21 engagement.

22 Once the engagement expands on what
23 we anticipate, I expect it would have been,
24 yes.

25 Q. Can you put a dollar amount on the

1 Orley George Cameron

2 amount of fees that you have received from
3 Mr. Edmonds thus far?

4 A. I think approximately about 150,
5 160, approximately.

6 \$150,000, approximately.

7 Q. Do you have any outstanding invoices
8 to Mr. Edmonds as we sit here today?

9 A. No.

10 Q. Do you anticipate billing
11 Mr. Edmonds for work incurred thus far that he
12 hasn't been billed yet?

13 A. We would have to go back and review
14 our work; but, currently, no.

15 Q. When you say you have received
16 150 or \$160,000, is that the fees received by
17 you, personally, or the Cameron Griffiths &
18 Pryce firm?

19 A. The firm.

20 Q. Is the 1 percent of revenues a
21 regular practice of the firm in charging their
22 audit clients?

23 A. Yes.

24 Q. When were you first engaged by
25 Mr. Edmonds in connection with anything?

13

1 Orley George Cameron

2 A. Approximately March -- approximately
3 March of '07.

4 Q. Had you done any work for
5 Mr. Edmonds prior to March of '07?

6 A. Never met him before.

7 Q. Had you done any work for
8 Mr. Edmonds prior to March of '07?

9 A. No.

10 Q. Had you done any work for
11 Mr. Haywoode prior to March of '07?

12 A. No.

13 Q. How did you come to know
14 Mr. Edmonds?

15 A. Still a mystery to me.

16 Someone from North Carolina called
17 me, I think it's a CPA, another colleague,
18 called me, asked me if I am willing to review
19 some housing projects, and I said yes, and he
20 told me that a gentleman named Mr. Edmonds is
21 coming to see me.

22 Q. Had you reviewed any -- had you done
23 any work whatsoever in connection with real
24 estate properties in the past?

25 A. Yes.

4 (Pages 10 to 13)

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1 Orley George Cameron
 2 Q. Let's go through your professional
 3 history.
 4 Are you a licensed CPA?
 5 A. Yes, I am.
 6 Q. Where are you licensed?
 7 A. New York State.
 8 Q. When did you become licensed?
 9 A. I think around '92, 1992. It's so
 10 long ago I can't remember.
 11 Q. Did you attend a college prior to
 12 becoming a CPA?
 13 A. Yes, that's a requirement.
 14 Q. What college did you attend?
 15 A. Brooklyn College.
 16 Q. What degree -- did you get a degree
 17 from Brooklyn College?
 18 A. Yes. I got a bachelor's degree from
 19 Brooklyn College.
 20 I continued on with the master's
 21 program, yes.
 22 Q. What was your degree in?
 23 A. Accounting.
 24 Q. After completing your time at
 25 Brooklyn College, what did you do

15

1 Orley George Cameron
 2 professionally next?
 3 A. Actually, while at Brooklyn College
 4 I worked as an auditor. I mean that's after
 5 my first degree. I worked as an auditor at --
 6 for the Department of Social Services.
 7 Then I transferred to the State
 8 Controller's Office and that's where I got my
 9 experience.
 10 Q. What years did you work at the State
 11 Controller's Office?
 12 A. I think it should be between 1990
 13 and '94. No, 1990 and '92, '93, yes.
 14 Q. And what were your duties while at
 15 the State Controller's Office?
 16 A. I was a state auditor.
 17 Q. What did you audit while you were
 18 there?
 19 A. I audited various state agencies,
 20 not-for-profit organizations that received
 21 funding from including DHCR, state funded.
 22 Q. Did you audit the state agencies or
 23 the entities that received funding from state
 24 agencies?
 25 A. We audit agencies that received

16

1 Orley George Cameron
 2 funding from state agencies and we also
 3 audited state agencies because we audit -- we
 4 do performance audit.
 5 So basically review their oversight
 6 of the agencies that they fund.
 7 Q. After you left the State
 8 Controller's Office, what did you do next
 9 professionally?
 10 A. I worked as a controller for a
 11 not-for-profit organization in the city.
 12 Q. What organization was that?
 13 A. I think the current name is FACES.
 14 Then the name was Minority Task
 15 Force.
 16 Q. How long did you work at what was
 17 then called Minority Task Force?
 18 A. Approximately two and a half years.
 19 Q. Do you recall the year you stopped
 20 working at Minority Task Force?
 21 A. I remember clearly because that's
 22 when I start my own practice.
 23 It was August of 1994.
 24 Q. And when you started your own
 25 practice in August of 1994, what was it

17

1 Orley George Cameron
 2 called?
 3 A. My practice? Cameron Accounting.
 4 Q. When you started your own company
 5 Cameron and Company, did you have any
 6 partners?
 7 A. No.
 8 Q. Did you have any employees?
 9 A. Yes.
 10 Q. What was the nature of the work you
 11 provided at Cameron and Company?
 12 A. The same I provide now.
 13 I do audits, tax and consulting.
 14 Q. What type of audits do you perform?
 15 A. I perform audits of -- financial
 16 audits.
 17 Q. Do you audit financial statements of
 18 companies?
 19 A. Yes.
 20 Q. Do you perform forensic audits?
 21 A. Yes.
 22 Q. Do you perform fraud examinations?
 23 A. No.
 24 Q. What type of entities do you
 25 currently perform audits of financial

5 (Pages 14 to 17)

18

20

1 Orley George Cameron
 2 statements for?
 3 A. I audit numerous agencies: credit
 4 unions, mortgage brokers, churches,
 5 not-for-profit agencies, for-profit agencies.
 6 Q. Other than your engagement with
 7 Mr. Edmonds, do you audit any entities that
 8 own apartment complexes?
 9 A. No.
 10 Q. Other than your engagement with
 11 Mr. Edmonds, do you audit any entities that
 12 manage apartment complexes?
 13 A. No.
 14 Q. Other than your engagement with
 15 Mr. Edmonds, do you audit any entities that
 16 provide low income housing?
 17 A. No.
 18 Q. Other than your engagement with
 19 Mr. Edmonds, do you audit any companies that
 20 manage low income housing projects?
 21 A. No, but it might be instructive to
 22 know that Minority Task Force does provide low
 23 income assisted houses.
 24 One of the projects I have, I
 25 actually receive -- I oversaw the building of

19

1 Orley George Cameron
 2 it while I was there.
 3 Q. You are referring to the Minority
 4 Task Force that you were at between '92 and
 5 '94?
 6 A. Yes.
 7 Q. Since your completion of your
 8 studies at Brooklyn Law, have you taken any --
 9 A. Brooklyn College.
 10 Q. Brooklyn College. Sorry.
 11 -- have you taken any other
 12 educational courses in connection with your
 13 profession?
 14 A. Oh, that's required.
 15 Q. Have you taken any other
 16 professional courses in connection with
 17 auditing --
 18 A. Yes.
 19 Q. -- in connection with auditing?
 20 A. Yes.
 21 Every year, at least 40 credits.
 22 Q. Have you taken any professional
 23 courses in connection with auditing entities
 24 that provide low income housing?
 25 A. Yes. That's required, yes.

1 Orley George Cameron
 2 Q. What courses have you taken?
 3 A. Yellow Book Standard, GAGAS,
 4 Government Accounting Government Auditing
 5 Standards.
 6 Q. In your work at Cameron, Griffiths &
 7 Pryce, does Cameron, Griffiths & Pryce audit
 8 any entities that are regulated by the DHCR?
 9 A. Yes, the projects that we are
 10 currently on.
 11 Q. Other than the Edmonds engagement,
 12 does Cameron, Griffiths & Pryce audit any
 13 entities that are regulated by the DHCR?
 14 A. No.
 15 Q. Other than the Edmonds engagement,
 16 does Cameron, Griffiths & Pryce audit any
 17 entities that are regulated by HUD?
 18 A. No.
 19 Q. Other than the Edmonds engagement,
 20 does Cameron, Griffiths & Pryce audit any
 21 entities that are regulated by any state or
 22 government subsidized projects?
 23 A. No.
 24 Q. When you were first engaged by
 25 Mr. Edmonds, what was the engagement?

21

1 Orley George Cameron
 2 A. The engagement was a regular
 3 financial statement audit.
 4 Q. Of what entities?
 5 A. The four projects: Lakeview,
 6 Charles Hill, Church Home, Logan.
 7 Q. Once you accepted the engagements,
 8 did you take steps to review any literature in
 9 connection with auditing these four projects?
 10 A. Sure.
 11 Q. What literature did you review?
 12 A. Well, the first thing I do I went to
 13 the HUD website to look at their -- what their
 14 requirements are.
 15 And by the way, just to be specific,
 16 Cameron, Griffiths & Pryce was formed
 17 specifically because I have my separate
 18 practice. I brought all twelve of them
 19 together to provide the necessary expertise to
 20 work on the project.
 21 Q. So prior to the engagement with
 22 Mr. Edmonds, Cameron, Griffiths & Pryce did
 23 not exist?
 24 A. Right.
 25 Q. What type of legal entity is

6 (Pages 18 to 21)

22

24

1 Orley George Cameron
 2 Cameron, Griffiths & Pryce?
 3 A. LLC.
 4 Q. Prior to the formation of Cameron,
 5 Griffiths & Pryce, what was the legal entity
 6 that you practiced at?
 7 A. Sole proprietorship.
 8 Q. Prior to the formation of Cameron,
 9 Griffiths & Pryce, what was the practice of
 10 Ms. Griffiths?
 11 A. She does the same type of practice
 12 we were.
 13 Actually, both of us collaborate and
 14 audit, but we have the same type of practice,
 15 yes.
 16 Q. Prior to the formation of Cameron,
 17 Griffiths & Pryce, what was the type of
 18 practice that Mr. Pryce practiced?
 19 A. Actually, he's a controller at
 20 FACES.
 21 Q. Is he a controller at FACES now?
 22 A. Now, yes.
 23 Q. Do you know if Ms. Griffiths, if she
 24 is a CPA?
 25 A. Yes.

23

25

1 Orley George Cameron
 2 Q. Do you know if Mr. Pryce is a CPA?
 3 A. Yes, he is a CPA.
 4 We are not permitted to form
 5 partnership unless we are CPAs.
 6 Q. Do you know whether Ms. Griffiths
 7 prior to the formation of Cameron, Griffiths &
 8 Pryce had been involved in any audits of any
 9 DHCR regulated entities?
 10 A. I am not sure she audited.
 11 She worked almost every year at
 12 Deloitte and Touche.
 13 Q. Was that the seven years prior to
 14 forming Cameron, Griffiths & Pryce?
 15 A. I met her just about three years --
 16 about three years ago when she left.
 17 Q. Does Cameron, Griffiths & Pryce have
 18 any other client other than Mr. Edmonds?
 19 A. No.
 20 Q. Do I understand it correctly,
 21 though, that you in your sole proprietorship
 22 have other clients other than Mr. Edmonds?
 23 A. Correct.
 24 Q. Does Ms. Griffiths in her practice
 25 also have a sole proprietorship other than in

1 Orley George Cameron
 2 connection with Cameron, Griffiths & Pryce?
 3 A. Yes.
 4 Q. And in her sole proprietorship she
 5 has other clients other than Mr. Edmonds?
 6 A. Yes.
 7 Q. Do you know if Mr. Pryce has a sole
 8 proprietorship outside of Cameron, Griffiths &
 9 Pryce?
 10 A. Yes, he does practice, yes.
 11 Q. That's in addition to his work as
 12 controller at Minority FACES?
 13 A. Yes.
 14 Q. I believe you said that Mr. Edmonds
 15 is Cameron, Griffiths & Pryce's only client;
 16 correct?
 17 A. You are correct.
 18 Q. So all of the revenue generated by
 19 Cameron, Griffiths & Pryce is generated from
 20 the engagement with Mr. Edmonds?
 21 A. Correct.
 22 Q. What percentage of revenue to you,
 23 personally, is the engagement with John
 24 Edmonds?
 25 A. For me, personally?

1 Orley George Cameron
 2 Q. Correct.
 3 A. Less than 5 percent.
 4 Q. Do you know what percentage of
 5 revenue to Ms. Griffiths the engagement with
 6 John Edmonds provides?
 7 A. No.
 8 Q. Do you know what percentage of
 9 revenue to Mr. Pryce the engagement with John
 10 Edmonds provides?
 11 A. No.
 12 Q. When you first started the
 13 engagements with Mr. Edmonds, other than
 14 reviewing the HUD website, what other
 15 literature did you review in preparing for the
 16 audit?
 17 A. None that I recall offhand. I mean
 18 the only difference with those projects as
 19 compared to any other revenue-based project,
 20 it's the regulatory aspects.
 21 Q. In planning and preparing for your
 22 audit, did you develop any audit programs?
 23 A. Unfortunately, we did not get to
 24 that spot.
 25 Why? Because when we began, one of

7 (Pages 22 to 25)

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1 Orley George Cameron
 2 the first requests we have, in order to
 3 develop -- you develop first your planning
 4 program and in order to get to your audit
 5 program with various steps, cash, et cetera,
 6 you first need a trial balance in order to
 7 review the accounting, do analytic -- get a
 8 sense of what the organization is.
 9 Unfortunately, they did not have
 10 trial balance.
 11 Q. When you were --
 12 MR. HAYWOODE: When you said they
 13 did not have trial balances, indicating
 14 Dalton Management?
 15 THE WITNESS: Dalton Management.
 16 Q. When you were first engaged by
 17 Mr. Edmonds, what did Mr. Edmonds tell you
 18 about the partnerships?
 19 A. He had a concern. He had a concern
 20 because he was getting -- he was receiving
 21 monthly financial statements, and one of the
 22 problems with the financial statement was
 23 there were entries in the distribution account
 24 that seems out of whack.
 25 I hope that's an English word.

27

1 Orley George Cameron
 2 That was not normal. That was
 3 unusual.
 4 For example, the distribution
 5 account was showing a distribution in '06, for
 6 example, December of '06, of I think about
 7 over \$5,000, based on his estimation he should
 8 have received over 3,000 -- \$300,000. I am
 9 sorry. Over 600,000. Based on his estimation
 10 he should have received over 300,000, but
 11 there was not.
 12 So that was one of his major
 13 concerns.
 14 Q. What other concerns did he have?
 15 A. Those were the concerns that he
 16 articulate to me.
 17 His concern was basically whether or
 18 not he was getting his fair share of
 19 distribution.
 20 Q. Do you recall what entity he was
 21 referring to on that particular distribution?
 22 A. It was in all the four projects, but
 23 the one that we actually looked over in
 24 greater detail was Logan Plaza.
 25 Q. Did you enter into an engagement

28

1 Orley George Cameron
 2 agreement with Mr. Edmonds that was written?
 3 A. Yes.
 4 Q. Do you still maintain a copy of that
 5 engagement agreement?
 6 A. Correct, sure.
 7 Q. Do you recall what the terms of that
 8 engagement were?
 9 A. Basically, we were going to do a
 10 financial statement audit in accordance with
 11 generally accepted auditing standards.
 12 Q. Once you started your engagement,
 13 what was the first step you undertook in
 14 furtherance of that engagement?
 15 A. I think we contacted Ron --
 16 MR. HAYWOODE: Indicating Mr. Dawley
 17 who is present today.
 18 A. And we asked for him to provide us
 19 with a number of items: bank reconciliation,
 20 trial balance, the standard items that we
 21 require for planning engagements.
 22 Q. Did you receive the items you
 23 requested?
 24 A. We did not receive the trial
 25 balance. We received the bank reconciliation,

29

1 Orley George Cameron
 2 not all at once.
 3 Then it was -- we got -- what we got
 4 as far as the trial balance was monthly
 5 general ledgers.
 6 There is no way we can do an audit
 7 with that, but he was able to facilitate us
 8 for the annual general ledger.
 9 Q. At some point you received an annual
 10 general ledger?
 11 A. Yes.
 12 Q. And did that general ledger have an
 13 opening balance for each account?
 14 A. For the balance sheet account, yes.
 15 Q. Did that general ledger have a
 16 closing balance for each account?
 17 A. Yes.
 18 Q. What information is contained on a
 19 trial balance that is not contained on a
 20 general ledger?
 21 A. The general ledger is a detail
 22 listing of the account.
 23 The trial balance is a summary of
 24 the account. That's a basic tool of an
 25 audit. If we did not get a trial balance, we

8 (Pages 26 to 29)

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1 Orley George Cameron
 2 must necessarily create one.
 3 Q. Does the general ledger break out
 4 the transactions by account?
 5 A. Yes.
 6 Q. And in breaking out those
 7 transactions by account, does it do it in a
 8 chronological order?
 9 A. Yes.
 10 Q. And at the end of that chronological
 11 order, is there a total for that account?
 12 A. Yes.
 13 Q. So could somebody take a general
 14 ledger with those totals broken out on an
 15 account by account basis and create a trial
 16 balance from that?
 17 A. Yes. Unfortunately, that's what we
 18 have to do. That's what we have to do if you
 19 didn't get a trial balance. But a trial
 20 balance is a basic tool of any competent
 21 accounting system.
 22 Q. How many accounts do each one of
 23 these partnerships have on their general
 24 ledger?
 25 A. I didn't count. We didn't count.

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1 Orley George Cameron
 2 Several. Many.
 3 Q. So is it fair to say that the
 4 information that you required on the trial
 5 balance was contained in the general ledger
 6 but that it would have been difficult for you
 7 to take the information from the general
 8 ledger and use that as a trial balance?
 9 A. Time consuming. I mean difficulty,
 10 but time consuming.
 11 You have to create something that is
 12 automatically done by any competent accounting
 13 system.
 14 Q. Other than the bank reconciliations
 15 and the trial balance and general ledger items
 16 that we were just discussing, what else did
 17 you request in connection with performing the
 18 audits of the financial statements of these
 19 partnerships?
 20 A. Oh, God. We request -- request the
 21 loans, request the loans, request to see the
 22 schedule of accounts payable, accounts
 23 receivable, request the schedule for revenues.
 24 Q. Would the accounts payable be
 25 reflected on the general ledger?

1 Orley George Cameron
 2 A. Yes, the summary, yes.
 3 Q. Would the accounts receivable be
 4 reflected on the general ledger?
 5 A. Yes, the summary.
 6 Q. Would the loans be reflected on the
 7 general ledger?
 8 A. Yes.
 9 The amount would be reflected, but
 10 then if I see a loan for, if I may say,
 11 29,000, I need to see. So what we request is
 12 the documentation supporting those items on
 13 the general ledger.
 14 Q. At some point, did you issue a
 15 report in connection with your engagement in
 16 this matter?
 17 A. Yes.
 18 MR. KELLY: I am going to ask the
 19 court reporter to mark as Exhibit 14,
 20 this document.
 21 (Document entitled "Independent
 22 Auditors' Report," was marked as
 23 Defendants' Exhibit 14 for
 24 identification, as of this date.)
 25 MR. KELLY: I have asked the witness.

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1 Orley George Cameron
 2 to review Exhibit 14.
 3 (Witness perusing document.)
 4 Q. Is this the report you issued in
 5 connection with your engagement in this
 6 matter?
 7 A. Yes.
 8 Q. Have you issued any other report in
 9 connection with your engagement in this
 10 matter?
 11 A. We issue what we call management
 12 comment, yes.
 13 Q. Do you see at the top of this
 14 document it's titled "Independent Auditors'
 15 Report"?
 16 A. Yes.
 17 Q. Has there been any subsequent
 18 auditors' report with a similar title?
 19 A. No.
 20 Q. In your work in connection with the
 21 engagements in this action, did you gain an
 22 understanding of the internal controls of
 23 these partnerships?
 24 A. Did we?
 25 MR. HAYWOODE: I didn't hear the

9 (Pages 30 to 33)

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1 Orley George Cameron
 2 answer.
 3 THE WITNESS: He asked me, did
 4 we.
 5 A. Our assessment was there was no
 6 internal control that can be relied on,
 7 unfortunately.
 8 Q. What facts are you relying on to
 9 come to that assessment?
 10 A. To begin with, number one, we didn't
 11 have a trial balance. We did not have the
 12 trial balance.
 13 Number two, the accounts were, as
 14 Ron said, were on a cash basis, but we don't
 15 know because the accounts receivable and the
 16 revenue account had the same number of debits
 17 and credit.
 18 One of the things -- it's important
 19 to know that the revenue account is strictly a
 20 credit balance account.
 21 Your debit revenue -- I'm sorry.
 22 It's a credit revenue, a balance. You have
 23 your credit revenue, your debit, accounts
 24 receivable, or cash.
 25 You never credit revenues, then

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1 Orley George Cameron
 2 debit revenues to bring it back to any.
 3 If your account is kept on an
 4 accrual basis, your credit revenues, debit
 5 accounts receivable.
 6 When you call it cash, you credit
 7 accounts receivable and you debit cash.
 8 Revenue remains the same.
 9 If you are on a cash basis, when you
 10 collect cash, your credit revenues, debit
 11 cash.
 12 Never do you have debit-credit going
 13 through your accounts receivable account
 14 unless you need to make correction adjustments
 15 which is generally few and far between.
 16 That's number one.
 17 Number two, with due respect to Ron,
 18 and he was very helpful, but he's the CEO.
 19 Much of the standard documentation that we
 20 request and require of the audit, he didn't
 21 have them. He didn't know where they are. He
 22 didn't have them in his possession.
 23 MR. HAYWOOD: I am sorry.
 24 He didn't have them in his
 25 possession?

1 Orley George Cameron
 2 THE WITNESS: I don't know if he did
 3 not have them. He could not make them
 4 available to us. So let me put it this
 5 way.
 6 Q. In conducting your audit and in
 7 reaching whatever conclusions you reached, did
 8 you find that any money from any of the
 9 partnerships was improperly taken by any
 10 individual?
 11 A. We did not come to that conclusion,
 12 but we make some observation which obviously
 13 raises some concern to us.
 14 Q. Can you tell me your understanding
 15 of what a cash basis accounting method is?
 16 A. A cash basis accounting method is
 17 one where you report cash as you receive them,
 18 as opposed to, if I may say, because it's
 19 difficult to explain cash basis without
 20 referring to accrual basis.
 21 Accrual basis, you recognize
 22 revenues when earned, whether the cash is
 23 received or not, and you recognize expenses
 24 when incurred, whether they are paid or not.
 25 The cash basis on the other hand is

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1 Orley George Cameron
 2 you just book the cash at the time you receive
 3 it.
 4 Q. Do you know which basis of
 5 accounting the partnerships were managed
 6 under?
 7 A. Well, Ron told us they use a cash
 8 basis, but then in a cash basis you don't bill
 9 revenues.
 10 MR. HAYWOOD: You don't --
 11 THE WITNESS: On the cash basis you
 12 don't bill revenues. You just collect
 13 revenues.
 14 I think what really happened and
 15 what complicated the issue was he was
 16 using both together, because he would
 17 bill the clients and then he reversed it,
 18 the billing.
 19 That's what, in my judgment, makes
 20 it difficult for us to audit revenues.
 21 Q. Earlier you said that you had not
 22 reached any conclusion as to whether or not
 23 money was improperly taken from the
 24 partnerships.
 25 Did you convey that information to

10 (Pages 34 to 37)

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40

1 Orley George Cameron
 2 Mr. Edmonds?
 3 MR. HAYWOODE: Objection.
 4 That was not the witness's total
 5 answer.
 6 You left out the second part where
 7 he said concerns were raised.
 8 A. I conveyed -- if I may just add -- I
 9 conveyed those concerns. We conveyed those
 10 concerns in our management comment, management
 11 comment.
 12 Q. Did you ever tell Mr. Edmonds that
 13 you had not found any money improperly taken
 14 from any of these partnerships?
 15 MR. HAYWOODE: Objection.
 16 Asked and answered.
 17 The witness may respond if he
 18 understands.
 19 A. I did not convey those terms.
 20 Q. Did you ever tell Mr. Edmonds that
 21 you did find money that was improperly taken?
 22 MR. HAYWOODE: Objection.
 23 Asked and answered.
 24 The witness may answer.
 25 A. I did not confirm -- did not convey

1 Orley George Cameron
 2 A. Yes, I do.
 3 Q. What is this document?
 4 A. This is what we call the management
 5 comments.
 6 Q. Is this the document you were
 7 referring to in your earlier testimony
 8 regarding management comments?
 9 A. Correct, yes.
 10 Q. Other than Exhibit 14, which is the
 11 independent auditors' report, and Exhibit 15,
 12 the one you have in front of you, did you
 13 provide any other reports or comments in
 14 writing to Mr. Edmonds?
 15 A. None that I recollect.
 16 MR. HAYWOODE: Let the record show
 17 that it is my representation that all the
 18 reports provided by Mr. Cameron and his
 19 associates have been delivered to you.
 20 So, again, to my present
 21 understanding, you have them all.
 22 MR. KELLY: Okay.
 23 Q. Are Exhibit 14 and Exhibit 15 all of
 24 the reports provided by Cameron, Griffiths &
 25 Pryce to Mr. Edmonds?

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1 Orley George Cameron
 2 those comments.
 3 We allow our reports to speak for
 4 themselves.
 5 Q. In Exhibit 14, I note that the last
 6 sentence -- actually, the entire last
 7 paragraph is one sentence, which concludes,
 8 "The scope of our work was not sufficient to
 9 enable us to express and we do not express an
 10 opinion on the financial statements referred
 11 to in the first paragraph."
 12 Do you see that?
 13 A. Yes.
 14 Q. Has that changed?
 15 A. No.
 16 MR. KELLY: I am going to ask the
 17 court reporter to mark as the next
 18 exhibit which is Exhibit 15.
 19 (Copy of document on the letterhead
 20 of Cameron, Griffiths & Pryce, to
 21 Mr. John Edmonds, was marked as
 22 Defendants' Exhibit 15 for
 23 identification, as of this date.)
 24 Q. Do you have Exhibit 15 in front of
 25 you?

1 Orley George Cameron
 2 MR. HAYWOODE: Again, not to
 3 interfere here, but if that's available,
 4 the only ones we have given you, then
 5 that might be all.
 6 MR. KELLY: I believe Mr. Cameron
 7 will be able to tell us if these were all
 8 the reports.
 9 Q. Are these all the reports you
 10 provided?
 11 A. Reports, yes.
 12 MR. KELLY: I think the fact that we
 13 have them both marked as exhibits
 14 indicate they have been provided to us.
 15 MR. HAYWOODE: I am simply saying I
 16 don't know if there may be more. You
 17 would know that.
 18 Q. Mr. Cameron, are there any other
 19 reports, other than Exhibits 14 and 15?
 20 A. We may have provided comments. I
 21 don't know. We may have provided
 22 communication. If we sent a memo, I don't
 23 know what else we have. These are the
 24 reports, these are the standard reports for
 25 audit, yes.

11 (Pages 38 to 41)

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1 Orley George Cameron
 2 MR. HAYWOODE: My objection is he
 3 may not remember.
 4 A. I don't remember all the
 5 communication we have had between, but I know
 6 these are the standard reports that we have
 7 provided.
 8 Q. Did you provide any other writings
 9 to Mr. Edmonds or Mr. Haywoode in connection
 10 with your engagement in this matter?
 11 A. I'm sure we have.
 12 Q. What writings did you provide to
 13 Mr. Edmonds?
 14 A. I communicate with him.
 15 I remember the first one that I
 16 communicated with him was the difficulty we
 17 had in getting information for the audit.
 18 Q. Did you bring a copy of that
 19 communication with you?
 20 A. No.
 21 Q. Do you remember when that
 22 communication occurred?
 23 MR. HAYWOODE: Once again, Bill,
 24 objection, because we supplied all this
 25 and Mr. Cameron knew that we supplied

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1 Orley George Cameron
 2 it, which may explain why he didn't bring
 3 it.
 4 I think your question is asking him
 5 to recall things that, you know, I don't
 6 know that it is humanly possible to tell
 7 you, yes, there were seven of this and
 8 six of that.
 9 My objection to your question is how
 10 would he recall?
 11 MR. KELLY: I think we will ask him
 12 the question and we will find out what he
 13 does recall.
 14 MR. HAYWOODE: Okay.
 15 Q. What communications in writing have
 16 you had with Mr. Edmonds?
 17 MR. HAYWOODE: Objection, again.
 18 Same objection.
 19 A. I communicate to him some of the
 20 difficulties we are having in conducting the
 21 audit.
 22 Q. Did you send these communications as
 23 letters or memos?
 24 A. Memos.
 25 Q. Were those mailed to Mr. Edmonds?

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1 Orley George Cameron
 2 A. They were mailed, faxed, e-mailed.
 3 Q. Did you retain copies of these
 4 communications?
 5 A. Yes, we did.
 6 Q. What format would these
 7 communications look like?
 8 A. Word document.
 9 Q. Would they be addressed to
 10 Mr. Edmonds?
 11 A. Some of the ones, some of the
 12 communication to Mr. Edmonds were actually
 13 cc's, communication to Ron, the company, and
 14 they were cc'd to Mr. Edmonds, yes.
 15 Q. Let me see if I understand this so I
 16 can cut off some of these questions.
 17 The only formal reports were the two
 18 marked as 14 and 15?
 19 A. Yes.
 20 Q. But there were other communications
 21 and Mr. Edmonds may have been cc'd on some
 22 other documents that went to Dalton or other
 23 people?
 24 A. Correct.
 25 Q. In any of those other documents,

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1 Orley George Cameron
 2 other than the two reports, did you render an
 3 opinion regarding your audit of the financial
 4 statements?
 5 A. We only render opinion on the
 6 financial statement or a disclaimer of
 7 opinion.
 8 Q. So none of those other documents
 9 would modify any opinion in these reports?
 10 A. No, unfortunately.
 11 Q. I am going to ask you to take a look
 12 at Exhibit 15, page 3.
 13 Do you see item 5, salaries and
 14 office expense?
 15 A. Um-hum.
 16 Q. What is your understanding of the
 17 issue you raise in this document?
 18 A. There was a contract which my
 19 reading of the contract indicates, number one,
 20 the project, I think they call them the
 21 projects, will pay frontline fees.
 22 But there is also a statement which
 23 said none of the fees, expenses, salaries of
 24 the central office shall be borne by the
 25 project.

12 (Pages 42 to 45)

<p>46</p> <p>1 Orley George Cameron</p> <p>2 Q. Do you recall what contract you are</p> <p>3 referring to?</p> <p>4 A. That's the management contract.</p> <p>5 That's a contract between the partnership and</p> <p>6 the management company.</p> <p>7 Q. Did you read that entire contract</p> <p>8 when reaching this issue?</p> <p>9 A. Yes.</p> <p>10 Q. Did you notice any other provision</p> <p>11 of that contract that allowed for payment of</p> <p>12 front office salaries?</p> <p>13 A. Frontline, yes, but we define</p> <p>14 frontline office as the office at the</p> <p>15 project: Bookkeeping, project manager,</p> <p>16 clerks at the project, yes.</p> <p>17 And I think the wording of the</p> <p>18 contract will clearly illustrate to me that</p> <p>19 there was a delineation being made between the</p> <p>20 frontline office of the project and the</p> <p>21 central office, because in that contract it</p> <p>22 said all the salaries, expenses, rent of the</p> <p>23 management company, shall be borne out of the</p> <p>24 management company's own expense, if I</p> <p>25 remember that clearly.</p>	<p>48</p> <p>1 Orley George Cameron</p> <p>2 employees?</p> <p>3 A. Yes.</p> <p>4 Q. This paragraph has a reference to</p> <p>5 Exhibit G to the papers submitted in</p> <p>6 connection with that.</p> <p>7 Do you see that?</p> <p>8 A. Is G attached here? I see the</p> <p>9 reference, G, Exhibit G. I don't see G.</p> <p>10 Q. I actually think you just quoted</p> <p>11 from the document before.</p> <p>12 A. I did.</p> <p>13 MR. KELLY: I will state for the</p> <p>14 record I have Exhibit G in front of me</p> <p>15 and you had it right.</p> <p>16 Exhibit G, page 8, paragraph 16-1</p> <p>17 states:</p> <p>18 "Except as otherwise provided in</p> <p>19 this agreement, all of the agent's home</p> <p>20 office bookkeeping, clerical and other</p> <p>21 management, payroll, and overhead</p> <p>22 expenses, including, but not limited to,</p> <p>23 costs, office supplies and equipment,</p> <p>24 postage, transportation for managerial</p> <p>25 personnel, and telephone services, will</p>
<p>47</p> <p>1 Orley George Cameron</p> <p>2 I didn't know that my memory was so</p> <p>3 good.</p> <p>4 MR. KELLY: I am going to ask the</p> <p>5 court reporter to mark as the next</p> <p>6 exhibit, Exhibit 16.</p> <p>7 (Copy of Affidavit of Orley G.</p> <p>8 Cameron, was marked as Defendants'</p> <p>9 Exhibit 16 for identification, as of this</p> <p>10 date.)</p> <p>11 Q. Do you have Exhibit 16 in front of</p> <p>12 you?</p> <p>13 A. Um-hum.</p> <p>14 Q. Do you recognize Exhibit 16?</p> <p>15 A. Yes, I do.</p> <p>16 Q. Is Exhibit 16 an affidavit you</p> <p>17 supplied in this case?</p> <p>18 A. Yes.</p> <p>19 Q. I direct your attention to paragraph</p> <p>20 4 of the affidavit.</p> <p>21 A. Um-hum.</p> <p>22 Q. Do you see that?</p> <p>23 A. Yes.</p> <p>24 Q. Does that paragraph discuss the</p> <p>25 issue of the payment of salaries of Dalton</p>	<p>49</p> <p>1 Orley George Cameron</p> <p>2 be borne by the agent out of his own</p> <p>3 funds and will not be treated as project</p> <p>4 expenses."</p> <p>5 Q. Is that the section you were</p> <p>6 referring to here in your affidavit here and</p> <p>7 in your testimony just before?</p> <p>8 A. Correct.</p> <p>9 Q. And you had a copy of this agreement</p> <p>10 at the time you were performing your audit</p> <p>11 services; correct?</p> <p>12 A. Um-hum.</p> <p>13 Q. And you had a copy of this agreement</p> <p>14 at the time you signed this affidavit?</p> <p>15 A. Um-hum.</p> <p>16 I said um-hum, but I did say yes.</p> <p>17 THE REPORTER: You did not say yes.</p> <p>18 I am writing exactly what you say, sir.</p> <p>19 THE WITNESS: I'm sorry.</p> <p>20 What did I say?</p> <p>21 THE REPORTER: You said um-hum.</p> <p>22 Q. Did somebody point out to you the</p> <p>23 clause of that contract or is that something</p> <p>24 you discovered on your own?</p> <p>25 A. I read it, yes. I read it. I had a</p>

13 (Pages 46 to 49)

50

1 Orley George Cameron
2 discussion with Ron.
3 I have a discussion with Mr. Edmonds
4 about it.
5 Q. What did --
6 MR. HAYWOODE: Have you finished?
7 Q. Did you finish your answer?
8 A. Yes.
9 Q. What did Mr. Dawley tell you about
10 that in connection with this?
11 A. He disagreed with my positions.
12 I don't remember.
13 Q. Did he explain why he disagreed with
14 your position?
15 A. I mean, he asserted that the payment
16 or the employees that we were looking for, he
17 said those were -- as a matter of fact, he
18 confirmed that they were Dalton's employees
19 and that's one of the reasons why he objected
20 that we would not be able to see the personnel
21 file, but he confirmed, he assert that they
22 are frontline employees.
23 There seemed to be a contradiction
24 of that statement.
25 Q. At the time you made the statement

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1 Orley George Cameron
2 in the affidavit and had your discussion with
3 Mr. Dawley --
4 A. I had discussion -- my discussion
5 was way before I made the statement in the
6 affidavit.
7 Q. At the time you made the statement
8 in the affidavit, then, were you familiar with
9 section 13 of the contract, 13-B specifically,
10 which states, "The owner will reimburse the
11 agent for compensation, including fringe
12 benefits payable to frontline management
13 employees, such as project manager, clerical
14 and bookkeeping personnel and the maintenance
15 employees, resident superintendent and the
16 social services director, where applicable,
17 and for all local, state and federal tax
18 assessments, including, but not limited to,
19 Social Security taxes, employment insurance
20 and workman's compensation insurance, incident
21 to the employment of such personnel. Such
22 reimbursements will be paid out of the rental
23 agency account and will be treated as project
24 expenses. For this purpose, the rental value
25 of any dwelling unit furnished rent free to

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1 Orley George Cameron
2 the resident superintendent will not be
3 considered part of his compensation but will
4 be treated as a project expense."
5 A. Yes. I was very familiar with
6 that. Those are the basic contending issues.
7 Because the history was if that's
8 the basis on which the allocations were made,
9 then it means that the employees were project
10 employees and, therefore, we have the right to
11 see the personnel file.
12 So if they were not project
13 employees and we did not have the right to see
14 the files, then they are central office
15 employees, yes.
16 Q. Section 13 says, "All such personnel
17 will be employees of the agent and not the
18 owner."
19 Were you familiar with that
20 provision of the contract?
21 A. Section.
22 Q. 13, "All such personnel will be
23 employees of the agent and not the owner, and
24 will be hired, paid, supervised and discharged
25 by the agent."

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1 Orley George Cameron
2 Were you familiar with that section
3 of this contract?
4 A. Yes.
5 Q. Is it your understanding that the
6 employees were paid from funds from the
7 project rather than funds from Dalton
8 Management?
9 A. Yes.
10 MR. HAYWOODE: Objection.
11 I don't understand the question, but
12 the witness has answered.
13 Q. Is it your understanding that --
14 MR. KELLY: Let me withdraw that.
15 Q. Is it your position that payment of
16 the employees out of project expenses is
17 improper pursuant to the contract?
18 MR. HAYWOODE: Well, unless you say
19 which employees -- if the witness
20 understands, I don't.
21 A. I prefer to answer the question you
22 asked first.
23 And it is my position that the
24 employees were paid out of Dalton -- I mean
25 the Dalton employees were paid out of the

14 (Pages 50 to 53)

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1 Orley George Cameron
 2 project expense.
 3 Q. Is it your position that that was in
 4 contravention of the agreement?
 5 A. Yes.
 6 MR. HAYWOODE: My objection is that
 7 the agreement clearly speaks for itself.
 8 Q. Are you familiar with an accounting
 9 term called adjusting journal entries?
 10 A. Oh, yes, yes.
 11 Q. Are you familiar with an accounting
 12 term, journal entries?
 13 A. Oh, yes.
 14 Q. Did you gain an understanding, as
 15 part of your audit involvement, how journal
 16 entries were made at Dalton Management in
 17 connection with these four projects?
 18 A. Not clearly, no.
 19 Q. Did you gain an understanding as to
 20 how adjusting journal entries were made by
 21 Dalton in connection with these four
 22 projects?
 23 MR. HAYWOODE: I object to the form
 24 of the question, "did you gain an
 25 understanding" because I don't know

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1 Orley George Cameron
 2 A. You are right. I am not clear what
 3 it means if I gain an understanding.
 4 Journal entries are basic tools of
 5 accounting that we use to adjust and/or
 6 correct account balances.
 7 They were the same way at any
 8 organization.
 9 Q. Did you gain an understanding about
 10 how adjusting journal entries were made at
 11 Dalton in connection with these projects?
 12 MR. HAYWOODE: My objection, again,
 13 it sounds as if you are asking him, did
 14 you comprehend what method was being used
 15 by Dalton.
 16 Is that the question?
 17 Q. Does the witness understand the term
 18 "gain an understanding"?
 19 A. No, I'm not sure what it means.
 20 Q. Are you familiar with the term "gain
 21 an understanding"?
 22 A. Yes, I am familiar.
 23 Q. What is your -- explain to me what
 24 the term "gain an understanding" means to
 25 you?

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1 Orley George Cameron
 2 MR. HAYWOODE: My objection is that
 3 it is argumentative.
 4 Perhaps you would change the
 5 question. I honestly don't understand
 6 what you're asking him.
 7 Did he gain an understanding of the
 8 French language, or did he gain an
 9 understanding of how the French language
 10 was being spoken in Quebec?
 11 Do you hear the nuance?
 12 MR. KELLY: I do, Mel, and I am
 13 comfortable with my line of questioning
 14 and I appreciate your objection.
 15 If the witness has a problem, he
 16 will let me know.
 17 Q. Are you familiar with the term "gain
 18 an understanding"?
 19 A. I am familiar with the term but I
 20 don't know what you mean, if we gain an
 21 understanding -- you mean of who did or of how
 22 they were done? We just saw the journal
 23 entries.
 24 Q. Putting that aside, I just want to
 25 explore your definition of "gain an

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1 Orley George Cameron
 2 understanding."
 3 A. Okay.
 4 Q. How are you familiar with the term
 5 "gain an understanding"?
 6 MR. HAYWOODE: I object to the
 7 relevancy of his understanding of that
 8 phrase.
 9 The witness may answer.
 10 A. Gain an understanding means you
 11 comprehend, you have seen a situation and you
 12 review the situation and you come to an
 13 understanding, get a knowledge on the working,
 14 conceptually, of that situation.
 15 Q. Is "gain an understanding" a phrase
 16 often used in accounting standards?
 17 A. Very often, yes.
 18 Q. So when I use the term "gain an
 19 understanding," you understand that it's
 20 relating to your work as an accountant?
 21 A. Right, but I understand it's also a
 22 technical term.
 23 So unless you use it -- we generally
 24 use the term "gain an understanding" of the
 25 internal control structure, but we don't

15 (Pages 54 to 57)

58

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1 Orley George Cameron
2 really gain an understanding of journal
3 entries, because journal entries are journal
4 entries.

5 Q. Did you gain an understanding of how
6 the journal entries were made, not of the
7 particular journal entries, but the process in
8 which Dalton made those entries?

9 A. No.

10 Q. Did you gain an understanding of how
11 the adjusting journal entries were made, not
12 the individual entries, but how the process
13 was made?

14 A. My understanding, and I hope this
15 goes to the question that you asked, because
16 my understanding of what Ron communicated to
17 me was that the auditors make those entries.
18 I don't know if that's the question you're
19 asking. If that's the question you're asking,
20 yes.

21 Q. Do you know if anybody from Marks
22 Paneth & Shron made journal entries on the
23 books and records of Dalton Management in
24 connection with these projects or do you know
25 if Marks Paneth proposed journal entries, or

1 Orley George Cameron
2 the amount of journal entries at Dalton.

3 Q. You are referring to the number of
4 journal entries, not the amount of money
5 involved?

6 A. Both, both.

7 Q. How much money was involved in the
8 journal entries at Dalton?

9 A. As a matter of fact, it's difficult
10 for us to quantify because we have a
11 spreadsheet where we separate the ledger on
12 the adjusting trial balance of the
13 accountant. It's way in the millions, several
14 millions of dollars.

15 Q. The adjusting journal entries, is it
16 fair to characterize those as reclassification
17 of entries on the general ledger?

18 A. Yes. Many of them were, yes.

19 Q. It does not -- is it fair to say
20 that it doesn't reflect that money was
21 improperly paid, just mischaracterized?

22 A. It's difficult for me to say that.

23 Let me say, for example, in one of
24 the instances listed in our report where
25 management -- where fees were reclassified

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1 Orley George Cameron
2 something else?

3 A. Well, the journal entries were -- I
4 will put it this way: We get copies of the
5 journal entries, listing of the journal
6 entries, and they were described to us as the
7 auditor's adjusting journal entries.

8 So whether they were proposed, we
9 see no evidence that they were approved of.

10 The journal standards are the sole
11 responsibility of management and they may be
12 proposed by the auditors, but must be the
13 responsibility of management, is the standard.

14 Q. In your audits of other companies
15 and in your experience as an accountant, when
16 an auditor comes in and does their audit, is
17 it common for the auditor to propose
18 adjusting journal entries?

19 A. Yes.

20 Not to the extent that they were at
21 Dalton, no. But, yes.

22 MR. HAYWOOD: I'm sorry. The
23 answer was not to the extent --

24 THE WITNESS: Not to the extent --
25 not to the extent -- if I may say, not to

1 Orley George Cameron
2 from accounting line to management consulting,
3 number one, we have no way and we could not
4 determine whether or not those -- because one
5 of the purposes of us looking at the account
6 is to see whether or not the expenses
7 themselves were appropriate, were
8 appropriate. We have no way of seeing whether
9 they were appropriate.

10 There were invoices coming from '02
11 that were reclassified into current year's
12 expense. So, are those accounts?

13 And, by the way, they were not
14 accrued in the financial statements prior.
15 So, are those appropriate? I don't know.

16 That's a report we provide, that it
17 raised concerns for us.

18 Q. Do you know on what basis, cash
19 basis or accrual basis, the financial
20 statements were audited by Marks Paneth &
21 Shron?

22 A. They were -- well, the report that
23 he had given, by its nature it was audited on
24 an accrual basis.

25 Q. And for the most part, the records

16 (Pages 58 to 61)

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1 Orley George Cameron
2 of Dalton were on a cash basis; correct?
3 A. Yes. For the most part, yes.
4 Q. In order to convert the cash basis
5 records for an accrual basis financial
6 statement, don't you need several adjusting
7 journal entries?
8 A. You need basically -- there are two
9 entries that you need, actually.
10 You need to adjust accounts
11 receivable and you need to adjust accounts
12 payable.
13 That's all you need to adjust.
14 Those are the two entries you need to adjust
15 to bring cash basis to accrual basis.
16 Q. And, in that process, did you review
17 those adjusting journal entries?
18 A. One of the difficulties we had,
19 because, remember, Ron worked with us, with
20 Marks Paneth for the explanation of the
21 journal entries. But unfortunately, we have
22 never -- I was looking forward to the
23 opportunity to meet. We had never met until I
24 think at the deposition, yes.
25 MR. HAYWOODE: Indicating the

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1 Orley George Cameron
2 February 3rd deposition of William
3 Jennings.
4 Q. Prior to that deposition of
5 Mr. Jennings, did Mr. Jennings and you have a
6 conversation regarding your work in connection
7 with the Edmonds project?
8 A. Yes.
9 Q. In any of those conversations, did
10 Mr. Jennings offer to meet with you to go over
11 these journal entries?
12 A. Yes.
13 Q. Did you have an agreement to meet
14 with him to go over these journal entries?
15 A. No.
16 Q. How often did you speak with
17 Mr. Jennings?
18 A. I spoke with him, I think it's
19 once.
20 As a matter of fact, when he called
21 we had a conference call.
22 I know he called and he left a
23 message at my office once, and that was after
24 we had a conversation before. So when I spoke
25 with him, yes, it was a conference call

1 Orley George Cameron
2 between myself and Sandra.
3 Q. Did you ask Mr. Jennings questions
4 during this conference call?
5 A. Yes, I did.
6 Q. Did Mr. Jennings answer your
7 questions during this conference call?
8 A. Not -- yes, he did answer the
9 questions.
10 Q. Did he refuse to answer any of your
11 questions?
12 A. All right, if I may say, one of the
13 issues we were discussing at that meeting was
14 the fact that there was a loan that was
15 forgiven and that loan was being amortized
16 over a 30-year period, and we had a discussion
17 as to why.
18 They said that was not in accordance
19 with GAAP.
20 He took the position that GAAP was
21 not -- GAAP was not important.
22 Q. Do you recall the amount of the loan
23 that was discussed?
24 A. I think the loan -- I think it was a
25 \$200,000 -- I don't remember the exact amount,

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1 Orley George Cameron
2 but the loan was for a ten-year period, and
3 the fact is that GAAP required that such loan
4 must be amortized.
5 I mean for tax purposes, it should
6 have been recognized immediately.
7 GAAP, over the period of the loan,
8 at the minimum, even for tax purposes, it is
9 to be amortized over the period of the loan,
10 but it was being amortized over the period for
11 30 years, which seemed to us arbitrary.
12 Q. Other than this dispute about how to
13 characterize -- how to treat the loan, did you
14 have any other disputes with Mr. Jennings?
15 A. No, there were no disputes.
16 Actually, at that time we left on an
17 agreement that we were going to put off,
18 because we were going back and forth, we were
19 going to put all the questions that we have
20 together and we would have one meeting, which
21 I think was -- which I think was good, was a
22 desired compromise on both of our parts.
23 Q. But the meeting never occurred?
24 A. Well, the meeting never occurred,
25 because when I asked to have him, then there

17 (Pages 62 to 65)

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1 Orley George Cameron
2 was a dispute, actually not between Jennings
3 and myself but between Ron and myself, as to
4 who was going to pay for his time.
5 Q. So there was a dispute as to who
6 would pay for Mr. Jennings' time --
7 A. Right.
8 Q. -- to respond to these inquiries
9 from Cameron, Griffiths & Pryce?
10 A. Right.
11 Q. As auditor for these entities, are
12 the fees charged by Marks Paneth & Shron set
13 by a contract?
14 A. Yes.
15 Q. And if additional work outside the
16 audit is to be undertaken, such as responding
17 to these inquiries, they can't be charged
18 under the audit; correct?
19 A. Correct.
20 Q. So Mr. Jennings could not charge his
21 time to the partnerships without violating
22 that contract; correct?
23 A. Correct.
24 Q. And it was your understanding that
25 Mr. Jennings wanted to be paid for his time

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1 Orley George Cameron
2 spent responding to these inquiries?
3 A. Yes. That was what was communicated
4 to me, yes.
5 MR. HAYWOOD: Indicating Mr. Dawley
6 communicated that?
7 THE WITNESS: Yes.
8 Q. Do you know if Mr. Jennings was ever
9 paid for his time in responding to these
10 inquiries?
11 A. I don't know.
12 It's interesting to note, though,
13 that we were not auditing Marks Paneth &
14 Shron.
15 We were auditing --
16 MR. HAYWOOD: Dalton.
17 A. -- Dalton. I keep forgetting that
18 because their name is so similar.
19 We were auditing Dalton. So the
20 information we requested was and expected to
21 be provided by Dalton.
22 Q. Did you expect Mr. Jennings to
23 provide his time to respond to these inquiries
24 without receiving compensation?
25 A. No.

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1 Orley George Cameron
2 MR. HAYWOOD: Objection.
3 That was not the witness's
4 testimony.
5 A. And, frankly, that was not my
6 concern.
7 Q. As a professional, though, you would
8 agree that Mr. Jennings should be entitled to
9 be compensated for his time?
10 MR. HAYWOOD: Objection.
11 What his opinion is on someone
12 else's time is not relevant.
13 A. Yes. I would expect it, yes.
14 Q. Did you ever have any discussions
15 with Mr. Edmonds regarding Generally Accepted
16 Auditing Standards in the context of this
17 engagement?
18 A. Oh, yes.
19 Q. What did you tell Mr. Edmonds about
20 Generally Accepted Auditing Standards in the
21 context of this engagement?
22 A. I mean, we had several discussions.
23 I can't recall what I told him.
24 What I told him, obviously, if you
25 look at -- Generally Accepted Auditing -- I'm

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1 Orley George Cameron
2 sorry Standard --
3 Q. Yes, GAAS.
4 A. Yes, many.
5 One of the salient points which was
6 of concern was the independence as compared to
7 the standard that is promulgated by the GAO.
8 Q. What are you referring to when you
9 talk about the independence?
10 A. The auditor's independence, GAO, as
11 well as the Office of Government Accounting
12 office, as well as SAS, Statement on Auditing
13 Standards, specifically delineate, if I may
14 say, the arm's length requirement between an
15 auditor and an auditee.
16 Q. In the context of this engagement
17 between Marks Paneth & Shron and the
18 partnerships, what issue did you have with
19 regard to Marks Paneth & Shron's independence?
20 A. Numerous.
21 We saw those numerous journal
22 entries that were being made, number one.
23 Number two, the documentations that
24 we requested of Dalton Management, he referred
25 us to the accountant.

18 (Pages 66 to 69)

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1 Orley George Cameron
 2 MR. HAYWOODE: I'm sorry. He,
 3 meaning Mr. Dawley?
 4 THE WITNESS: Right.
 5 A. He referred us to the accountants
 6 Marks Paneth & Shron.
 7 As a matter of fact, with regard to
 8 the journal entries, he said those are the
 9 accountants' journal entries. You may ask
 10 them about that. If I may quote Ron, he said
 11 those are the accountants' journal entries.
 12 You have to ask them about that.
 13 The standards specifically state,
 14 specifically state that, number one, the books
 15 and records of the auditee is the sole
 16 responsibility of management.
 17 The accountant's responsibility is
 18 to assist and to render an opinion on them.
 19 That's number one.
 20 Number two, there is also a
 21 standard, what they call, there is a contract,
 22 it's the de minimis, that rule requires that
 23 additional, what they call nonaudit service
 24 that is performed by the auditor should not be
 25 more than 40 hours and should not exceed

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1 Orley George Cameron
 2 \$5,000. That's a GAGAS rule.
 3 Anything above that, it says,
 4 destroys the auditor's independence.
 5 We know that in '06, request a
 6 contract for \$34,000 -- actually, we did not
 7 see the contract but we know the contract is
 8 amount is \$34,000 because that is what was
 9 disclosed in the supplemental report, but all
 10 the prior year's contracts said \$34,000,
 11 approximately 34,000, I think it's 34,155,
 12 which clearly set out what the accountant's
 13 responsibilities are, and that there should be
 14 additional services, that those services must
 15 be approved by DHCR.
 16 Q. That was a long answer. I am going
 17 to try and break it down so we can have a
 18 discussion.
 19 A. Yes.
 20 Q. At some point you talked about the
 21 de minimis rule.
 22 A. Yes.
 23 Q. Do you know what standard you are
 24 referring to when you talk about that?
 25 A. The de minimis rule, it's the

1 Orley George Cameron
 2 accounting independent standard. I think it's
 3 Amendment No. 3. I don't remember the
 4 specific, but read along from point 13 to 26
 5 and it clearly illustrates.
 6 Q. And what standard are you referring
 7 to?
 8 A. GAGAS, Government Accounting
 9 Standards, Auditing Standards, Government
 10 Auditing Standard -- I'm sorry.
 11 Q. Generally Accepted Government
 12 Auditing Standards?
 13 A. Thank you. That's the definition.
 14 Q. What section?
 15 A. Amendment No. 3, and that was
 16 promulgated and became effective in '03. So
 17 that's the rule.
 18 Q. Other than in that section, are you
 19 aware of any other provisions that govern the
 20 de minimis rule?
 21 A. SAS standard, but I don't remember
 22 the exact one.
 23 Q. What in SAS governs the de minimis
 24 rule?
 25 A. And the basic standards -- the basic

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1 Orley George Cameron
 2 overarching principle is that the auditor must
 3 be independent in both substance and
 4 appearance.
 5 It says, the auditor should not
 6 perform nonaudit service, such that anyone is
 7 familiar with these types of services, these
 8 activities, would have any suspicions that
 9 independence is violated.
 10 Q. You mentioned the auditor should not
 11 have more than 40 hours of work or \$5,000 in
 12 fees?
 13 A. Right. That's the de minimis rule,
 14 yes.
 15 Q. In what rule does it set forth
 16 40 hours or \$5,000?
 17 A. I don't remember it off the bat. I
 18 can find it.
 19 I think the rule speaks of
 20 materiality. The rule speaks of materiality.
 21 In the question and answer, at least
 22 the guidance that is provided for that rule
 23 states no more than 40 hours, no more than
 24 \$5,000.
 25 So, number one, the rule

19 (Pages 70 to 73)

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1 Orley George Cameron
 2 specifically states materiality, the guidance
 3 provides the amount.
 4 Q. So the de minimis rule has a
 5 materiality component such that the larger the
 6 organization being audited, the larger the
 7 de minimis level?
 8 A. I don't know.
 9 MR. HAYWOODE: Objection. Is that a
 10 question or are you testifying?
 11 A. I am not aware of that.
 12 The guidance basically says 40
 13 hours, 5,000.
 14 MR. HAYWOODE: My objection, again,
 15 to the question, because it sounded like
 16 testimony rather than a question to the
 17 witness.
 18 Excuse me. I would just assume from
 19 that if someone was paid \$3 million he
 20 had more leeway to his relative
 21 materiality figure which would be
 22 astronomical, but it doesn't work that
 23 way. It doesn't hold. The proposition
 24 doesn't hold, is my point.
 25 Q. Do you know if Marks Paneth & Shron

1 Orley George Cameron
 2 A. No, it would not.
 3 Q. Even in situations in which the tax
 4 preparer charged fees in excess of the 40
 5 hours and \$5,000, would that compromise
 6 independence?
 7 MR. HAYWOODE: Objection, because
 8 from the witness's testimony, that's not
 9 this case.
 10 He just testified it was included in
 11 the contract.
 12 A. To answer the question, no, it would
 13 not, but it was included in the contract, yes,
 14 but that's permitted. That's what is nonaudit
 15 services permitted in the independence rule.
 16 Q. Would representation of the
 17 taxpayer, the entity, in connection with an
 18 IRS audit, also be permitted under the rule
 19 you are discussing?
 20 A. It would, but it is still, though,
 21 governed by the de minimis rule.
 22 Actually, the standard clearly
 23 expresses that when there is a conflict, when
 24 such conflict between audit service and
 25 nonaudit service arises, the audit

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1 Orley George Cameron
 2 provided tax preparation services to any of
 3 the partnerships?
 4 A. That's included in the contract.
 5 Q. What contract are you referring to?
 6 A. The engagement between them, yes.
 7 Q. Are the fees charged for the tax
 8 preparation work included within the audit
 9 fees?
 10 A. Yes, it is one contract, yes.
 11 Q. The amount of audit fees charged,
 12 does that include work done for tax
 13 preparation?
 14 A. The contract, the engagement letter,
 15 especially for -- has three components:
 16 Audit, tax and cash flow analysis.
 17 Q. Were those three components charged
 18 separately by Marks Paneth & Shron?
 19 A. When you say if they were charged
 20 separately, no, not to my knowledge. All of
 21 that is covered in the contract.
 22 Q. Does the fact that an accounting
 23 firm provides tax preparation services, in
 24 addition to audit services, compromise the
 25 firm's independence?

1 Orley George Cameron
 2 organization must evaluate and make a choice
 3 as to what they want to do, whether they want
 4 to maintain the audit service or maintain the
 5 nonaudit service.
 6 But because of the independence,
 7 because of the concern for independence, the
 8 rule clearly, the de minimis rule basically
 9 fixed, said nonaudit service should not exceed
 10 5,000 or 40 hours because it may compromise
 11 independence.
 12 Q. Are you aware that Fifth and 106th
 13 Street Associates was subjected to an IRS
 14 audit during -- for yearend 2003?
 15 A. I saw an invoice to that extent,
 16 yes. That was paid, apparently, I don't know
 17 if it's all of it or some of it, I don't know
 18 what the amount of it, but there was an
 19 invoice to the extent that it was paid in '06.
 20 Q. Does the representation of Marks
 21 Paneth & Shron in connection with that IRS
 22 audit, is that an exception to the de minimis
 23 rule and the rule of independence?
 24 A. There is no exception to the
 25 de minimis rule.

20 (Pages 74 to 77)

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1 Orley George Cameron
 2 There is an exception to the
 3 nonaudit service, but it is bound by the
 4 de minimis rule.
 5 Q. Is that engagement to represent
 6 Fifth and 106th Street Associates in
 7 connection with the IRS audit an exception to
 8 the independence rule?
 9 A. I don't know what the price was, and
 10 I don't know what the amount of time that was
 11 involved.
 12 Q. Do you recall what the outcome was
 13 in connection with the IRS audit?
 14 MR. HAYWOODE: Objection to the
 15 relevance.
 16 A. No. That was not an issue for me.
 17 MR. KELLY: I am going to ask the
 18 court reporter to mark this as the next
 19 exhibit.
 20 (Copy of document on the letterhead
 21 of Internal Revenue Service, Department
 22 of the Treasury, dated October 26, 2006,
 23 was marked as Defendants' Exhibit 17 for
 24 identification, as of this date.)
 25 Q. Do you have Exhibit 17 in front of

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1 Orley George Cameron
 2 you?
 3 A. Um-hum.
 4 Q. Have you seen this letter before?
 5 (Witness perusing document.)
 6 A. I don't recall.
 7 I saw something related to this, but
 8 not specifically this one, no.
 9 Q. What did you see related to the IRS
 10 audit?
 11 A. Huh?
 12 Q. What did you see related to the IRS
 13 audit?
 14 A. I saw a letter from I think one of
 15 the Seaveys, saying that the audit was done
 16 and there was no change.
 17 Q. What does no change mean in the
 18 context of an IRS audit?
 19 MR. HAYWOODE: Objection to the
 20 relevance of this entire line.
 21 MR. TRAUB: I want to point out that
 22 objection to relevancy is not permissible
 23 under the Federal Rules.
 24 MR. HAYWOODE: I'm sorry?
 25 MR. TRAUB: Objection to relevancy

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1 Orley George Cameron
 2 is not an objection permissible under the
 3 Federal Rules.
 4 A. What a no change means?
 5 Q. Yes.
 6 A. It means that an audit was done and
 7 there were no findings.
 8 The tax return was not adjusted. It
 9 remained as it was filed.
 10 MR. HAYWOODE: Just one second.
 11 Darren, we've had this discussion a
 12 couple of times.
 13 We never know where these
 14 depositions wind up being heard, whether
 15 it's a state agency or a federal agency,
 16 which is why the suggestion as to better
 17 practice is to make objections which
 18 would be made in a court of law, so long
 19 as you are compliant for the most part
 20 with 221 rules. That's why we do it.
 21 MR. TRAUB: 221 is a state court
 22 rule and this is a federal court
 23 proceeding.
 24 MR. HAYWOODE: New York State
 25 practice and federal practice is very

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1 Orley George Cameron
 2 similar.
 3 I have the book here and I can show
 4 it to you.
 5 It talks about the depositions in
 6 the federal rule states. New York is a
 7 federal rule state.
 8 MR. TRAUB: There is a difference
 9 between federal rules and state rules.
 10 My only point is your objection to
 11 relevancy is not permissible and
 12 appropriate under the federal rules.
 13 I am not going to argue with you
 14 about it. I made my statement on the
 15 record.
 16 MR. HAYWOODE: You never know where
 17 these transcripts wind up being heard.
 18 That is why it is the suggestion of
 19 the bar, some lawyers, some professors,
 20 that it's better to say it than not.
 21 That's all.
 22 EXAMINATION
 23 BY MR. KELLY:
 24 Q. Isn't it fair to say that a no
 25 change decision by the IRS is a good thing for

21 (Pages 78 to 81)

<p>82</p> <p>1 Orley George Cameron</p> <p>2 the taxpayer to receive?</p> <p>3 A. Oh, every time.</p> <p>4 MR. HAYWOODE: Off the record.</p> <p>5 (Whereupon, a discussion was held</p> <p>6 off the record.)</p> <p>7 MR. HAYWOODE: May I have 35</p> <p>8 seconds?</p> <p>9 MR. KELLY: We haven't taken a break</p> <p>10 yet. Let's take a short recess.</p> <p>11 (Whereupon, a recess was taken from</p> <p>12 11:56 a.m. to 12:04 p.m.)</p> <p>13 EXAMINATION</p> <p>14 BY MR. KELLY:</p> <p>15 Q. In connection with your work in</p> <p>16 connection with the engagement with</p> <p>17 Mr. Edmonds, did you have the occasion to</p> <p>18 review monthly reports that were sent to</p> <p>19 Mr. Edmonds?</p> <p>20 A. I saw them. I frankly didn't review</p> <p>21 them because they were not necessarily in good</p> <p>22 form. We were working on the project, so I</p> <p>23 didn't necessarily --</p> <p>24 MR. HAYWOODE: I'm sorry?</p> <p>25 A. They were not necessarily in good</p>	<p>84</p> <p>1 Orley George Cameron</p> <p>2 distribution, the distribution was actually,</p> <p>3 I think, 260 for '06.</p> <p>4 Q. Any other discrepancies you found</p> <p>5 with regard to the monthly reports?</p> <p>6 A. I mean, I just focused on the</p> <p>7 account. Those monthly reports were not</p> <p>8 relevant for us.</p> <p>9 Q. Do you know if anybody else at</p> <p>10 Cameron, Griffiths & Pryce had any</p> <p>11 communications with Mr. Jennings, other than</p> <p>12 yourself?</p> <p>13 A. I mean that one time when we spoke</p> <p>14 it was a conference call between Sandra --</p> <p>15 with Sandra, me, and Mr. Jennings.</p> <p>16 Q. Do you know if Ms. Griffiths had any</p> <p>17 conversations with Mr. Jennings outside of</p> <p>18 your being involved in the call?</p> <p>19 A. Not to my knowledge.</p> <p>20 Q. Do you know if Mr. Pryce had any</p> <p>21 conversations with Mr. Jennings outside of</p> <p>22 your presence?</p> <p>23 A. Not to my knowledge, but I can</p> <p>24 almost say a firm no.</p> <p>25 Q. I am sorry. I didn't mean to limit</p>
<p>83</p> <p>1 Orley George Cameron</p> <p>2 form.</p> <p>3 MR. HAYWOODE: You said something</p> <p>4 after that.</p> <p>5 A. We were working on the project, so I</p> <p>6 didn't want to have to spend time on those</p> <p>7 monthly reports.</p> <p>8 Q. So is it safe to say that you</p> <p>9 haven't identified anything misstated or wrong</p> <p>10 in those monthly reports?</p> <p>11 A. Oh, yes.</p> <p>12 The one that I saw, the distribution</p> <p>13 account was incorrect.</p> <p>14 Q. What was incorrect about the</p> <p>15 distribution account?</p> <p>16 A. I mean the distribution account,</p> <p>17 first of all the distribution account has</p> <p>18 debit balance, which it will have, but it</p> <p>19 was -- when we compared one for December, for</p> <p>20 example, Logan, it was showing 651,000 and</p> <p>21 that continued, I am talking about December of</p> <p>22 '06, and that continued through January,</p> <p>23 February, March, April, May of '07. It</p> <p>24 continued through '07.</p> <p>25 But when we reviewed the</p>	<p>85</p> <p>1 Orley George Cameron</p> <p>2 it to just Mr. Jennings.</p> <p>3 Did anybody at Marks Paneth & Shron</p> <p>4 have conversations with -- I will put it in</p> <p>5 the same order. Excuse me.</p> <p>6 Do you know if Ms. Griffiths had any</p> <p>7 conversations with anybody at Marks Paneth &</p> <p>8 Shron, other than what you are aware of with</p> <p>9 that conference call?</p> <p>10 A. Not to my knowledge.</p> <p>11 Q. And the same question for</p> <p>12 Mr. Pryce.</p> <p>13 A. Not to my knowledge.</p> <p>14 Q. Is it fair to say that you are the</p> <p>15 primary professional on this engagement for</p> <p>16 Cameron, Griffiths & Pryce?</p> <p>17 A. To the extent that, yes, I was the</p> <p>18 one first contacted, right.</p> <p>19 Q. Are you the person most</p> <p>20 knowledgeable at Cameron, Griffiths & Pryce</p> <p>21 with regard to the engagements?</p> <p>22 A. No. We are equally knowledgeable,</p> <p>23 yes.</p> <p>24 I think I am the least</p> <p>25 knowledgeable, actually. They're much sharper</p>

22 (Pages 82 to 85)

<p>86</p> <p>1 Orley George Cameron</p> <p>2 than me.</p> <p>3 Q. What was your role in this</p> <p>4 engagement?</p> <p>5 A. In terms of what? All three of us</p> <p>6 worked on it together.</p> <p>7 Adam much less because while Sandra</p> <p>8 and myself are self-employed, Adam has other</p> <p>9 employment.</p> <p>10 Q. Do you know if Ms. Griffiths or</p> <p>11 Mr. Pryce had any communications with</p> <p>12 Mr. Edmonds outside of your presence?</p> <p>13 A. Not to my knowledge, no.</p> <p>14 Q. Prior to appearing here today for</p> <p>15 this deposition, did you have discussions</p> <p>16 about this deposition with anybody?</p> <p>17 A. Yes. We discussed it together, Adam</p> <p>18 and Sandra, we discuss it together.</p> <p>19 Q. What did you discuss?</p> <p>20 A. We discussed the -- we went over the</p> <p>21 information for the audit. We went over the</p> <p>22 audit procedures. We went over the standards,</p> <p>23 applicable standards.</p> <p>24 Q. When you say you went over</p> <p>25 procedures and applicable standards, are you</p>	<p>88</p> <p>1 Orley George Cameron</p> <p>2 MR. HAYWOODE: I object.</p> <p>3 Q. What were those conversations?</p> <p>4 A. He told me what time and where to</p> <p>5 go.</p> <p>6 MR. KELLY: It seems like</p> <p>7 Mr. Haywoode has an objection.</p> <p>8 MR. HAYWOODE: Yes.</p> <p>9 My objection is if they had</p> <p>10 conversations with me as an attorney or</p> <p>11 in contemplation of my representation of</p> <p>12 them, I'm not sure that's something you</p> <p>13 are permitted to inquire about.</p> <p>14 MR. TRAUB: Are you stating on the</p> <p>15 record that you represent Cameron,</p> <p>16 Griffiths & Pryce as their attorney?</p> <p>17 MR. HAYWOODE: No. I made the</p> <p>18 statement that I did not, this morning.</p> <p>19 But if they approached me with such</p> <p>20 an intention, then I would question if</p> <p>21 that aspect of any discussion would be</p> <p>22 admissible.</p> <p>23 With that caution, the witness can</p> <p>24 answer.</p> <p>25 Q. Did you ever approach Mr. Haywoode</p>
<p>87</p> <p>1 Orley George Cameron</p> <p>2 referring to specific documents you looked at</p> <p>3 or in general?</p> <p>4 A. Both.</p> <p>5 Q. What documents did you look at?</p> <p>6 A. I looked at the -- I looked at the</p> <p>7 GAGAS independent standard.</p> <p>8 Sandra looked at SAS.</p> <p>9 Adam looked at the Yellow Book.</p> <p>10 And we shared notes.</p> <p>11 Q. Did you look at any documents other</p> <p>12 than what you just testified to?</p> <p>13 A. In general, there were many</p> <p>14 documents we looked at. We shared notes.</p> <p>15 Q. Other than those specific documents</p> <p>16 you identified, do you recall any other</p> <p>17 specific documents you looked at in</p> <p>18 preparation for the deposition?</p> <p>19 A. No, not specific for the deposition.</p> <p>20 Q. Did you have any conversations with</p> <p>21 Mr. Edmonds?</p> <p>22 A. In preparation, no.</p> <p>23 Q. Did you have any conversations with</p> <p>24 Mr. Haywoode?</p> <p>25 A. Yes.</p>	<p>89</p> <p>1 Orley George Cameron</p> <p>2 with the intention of engaging his services as</p> <p>3 an attorney?</p> <p>4 A. No.</p> <p>5 Q. What were the discussions you had</p> <p>6 with Mr. Edmonds -- excuse me.</p> <p>7 A. By the way I asked him did I think</p> <p>8 we needed an attorney for this. That was the</p> <p>9 only question.</p> <p>10 Q. What else did the discussion with</p> <p>11 Mr. Haywoode do you recall?</p> <p>12 A. As a matter of fact, the discussion</p> <p>13 we had this morning, because the deposition</p> <p>14 said 150 East 42nd Street, and he told me, no,</p> <p>15 it's at 2 Park Place.</p> <p>16 So that was the last discussion I</p> <p>17 remember.</p> <p>18 Q. Turning back to Exhibit 16, the</p> <p>19 affidavit, did you prepare this document?</p> <p>20 A. Exhibit 16?</p> <p>21 Q. Exhibit 16.</p> <p>22 A. I didn't prepare it. I edited it.</p> <p>23 Q. Do you have in your possession --</p> <p>24 MR. KELLY: Strike that.</p> <p>25 Q. Were you provided a draft of this</p>

23 (Pages 86 to 89)

<p>1 Orley George Cameron 2 document that you then edited? 3 A. Yes. 4 Q. Do you still have a copy of that 5 draft of that document? 6 A. No. It was sent to me and I get on 7 my WordPerfect. Whatever was sent was... 8 Q. Who sent you this document? 9 A. I don't remember. 10 Q. Do you -- 11 A. I think, was it Joan? 12 Q. Is it that you don't recall the 13 individual who sent it but you recall it was 14 sent from a particular law office? 15 A. It came from -- 16 MR. HAYWOODE: If the question is 17 was the document typed at my office, I 18 believe that every document in this 19 litigation was typed in my office or 20 prepared in my office by my personnel. 21 Q. So is it fair to say the draft of 22 this document was sent to you from 23 Mr. Haywoode's office, you made changes on 24 your computer and sent it back? 25 A. Right.</p>	<p>90</p>	<p>1 Orley George Cameron 2 you gave Mr. Kelly today and that you let me 3 finish my question, first, and that you give 4 an oral answer to it. 5 Again, if you don't understand my 6 question or statement in it, please let me 7 know and I will rephrase it for you. 8 A. Okay. Did I do such with Kelly? 9 Q. Yes. That's what you did with him 10 so I am asking that you do the same thing with 11 me. 12 A. Okay. 13 Q. When Mr. Edmonds first approached 14 you in March of 2007 about this project, what 15 did he tell you was the scope of the project? 16 A. He told me that he needed an audit. 17 He needed to have the audit. 18 My question was, was this an audit 19 to comply with changing auditors, or is it an 20 audit to comply with HUD requirement? 21 He said, no, it's an audit. 22 And he raised the issue with the 23 distribution in the account. He just want to 24 see why. He's concerned because of those 25 amounts in the distribution were not</p>
<p>1 Orley George Cameron 2 Q. Do you recall what changes you made 3 from the original document? 4 A. No. That's over a year ago. 5 MR. KELLY: I believe I am finished 6 with my questioning. 7 I will be handing off the witness to 8 Mr. Traub. 9 Is this a good time to take a break 10 or do you want to go right into it? 11 MR. HAYWOODE: You can go right 12 through, Darren. 13 MR. TRAUB: I can be done by one 14 o'clock. 15 MR. KELLY: Then let's do that. 16 (Pause.) 17 EXAMINATION 18 BY MR. TRAUB: 19 Q. Mr. Cameron, as you know, I am 20 Darren Traub from the law firm of Herrick, 21 Feinstein LLP and we represent the Seavey 22 defendants, Dalton Management, Ron Dawley, the 23 Seavey organization in this matter. 24 I have a few questions to ask you. 25 I ask that you give me the same courtesy that</p>	<p>91</p>	<p>1 Orley George Cameron 2 reflecting what he should have been getting. 3 So that was where he had a concern. 4 Q. Did he ask you to perform a forensic 5 accounting on some of these matters or simply 6 an audit? 7 A. We gave him a regular, what do you 8 call it, standard audit engagement, forensic, 9 yes. 10 Q. When you say we, who are you 11 referring to? 12 A. Cameron, Griffiths & Pryce. 13 Q. At that time in March of 2007 was 14 Cameron, Griffiths & Pryce already organized? 15 A. No. We organized, but at the time 16 when we gave him the engagement we were 17 organized. 18 He contacted me in '05. In March I 19 looked at the scope of the project. 20 I am familiar with the audit, but I 21 forget when I bring additional expertise, 22 forensic to the project. 23 Q. Did he tell you how large each of 24 the partnership's housing projects were? 25 A. Yes. In terms of the number of</p>

24 (Pages 90 to 93)

94

1 Orley George Cameron
 2 units?
 3 Q. Yes.
 4 A. Yes.
 5 Q. Did he tell you that these housing
 6 projects were regulated by different entities,
 7 such as DHCR, HUD, Mitchell-Lama, and others?
 8 A. Yes.
 9 Q. Did you tell him at that time that
 10 you did not have experience, prior to this
 11 engagement, with government regulated -- with
 12 government regulated housing projects?
 13 A. No, not in those terms, no.
 14 Q. What terms did you use?
 15 A. I told him I'm not quite familiar
 16 with them, but his issue was not so much the
 17 regulation or the compliance issue. So we
 18 didn't see that as a conflict.
 19 That's one of the reasons why Adam
 20 was brought in, because of that regulation.
 21 Q. And what is Adam's experience again?
 22 A. Adam currently is a controller at
 23 FACES where they manage or the firm manages
 24 HUD-assisted projects.
 25 Q. Do they manage DHCR projects?

95

1 Orley George Cameron
 2 A. I don't know who or what are the
 3 agencies that are involved.
 4 When I was there, it was HPD. But
 5 since then they have had funding from various
 6 government agencies.
 7 Q. Do you think that to do a complete
 8 audit of the four partnerships at issue here
 9 that you need to have an understanding of the
 10 different governmental regulations and
 11 requirements to understand the different types
 12 of investment accounts, capital accounts, and
 13 distributions that are made?
 14 A. To some extent, but remember our
 15 focus was not on the regulation or the
 16 compliance issue.
 17 Our focus was on the financial,
 18 internal controls, and there's a difference.
 19 Q. Specifically your focus was what?
 20 A. My focus was first financial.
 21 Q. To determine whether or not
 22 Mr. Edmonds was getting all of the
 23 distributions that were due to him?
 24 A. And that the financial statements
 25 were in accordance with Generally Accepted

96

1 Orley George Cameron
 2 Accounting Standards.
 3 Q. Did anyone counsel you to form
 4 Cameron, Griffiths & Pryce as an entity?
 5 A. No. We elected to.
 6 Q. And who wrote the organizational
 7 documents for you?
 8 A. I did.
 9 Q. And who filed the organizational
 10 documents for Cameron, Griffiths & Pryce?
 11 A. I did.
 12 Q. Did you inform Mr. Edmonds that you
 13 would be forming Cameron, Griffiths & Pryce in
 14 response to his retaining the company?
 15 A. Yes, we did. An engagement letter
 16 is in Cameron, Griffiths & Pryce.
 17 Q. Did the three members of Cameron,
 18 Griffiths & Pryce put in capital contributions
 19 into the formation of Cameron, Griffiths &
 20 Pryce?
 21 A. Yes.
 22 Q. And those capital contributions paid
 23 for things such as the letterhead?
 24 A. Um-hum.
 25 Q. And the business cards?

97

1 Orley George Cameron
 2 A. Yes.
 3 Q. And any other related expenses?
 4 A. Um-hum.
 5 MR. KELLY: Can you just clarify
 6 those last couple of answers?
 7 THE WITNESS: Yes, yes, yes.
 8 MR. KELLY: Thank you.
 9 Q. To date since its formation
 10 Mr. Edmonds has been the only client of
 11 Cameron, Griffiths & Pryce; is that correct?
 12 A. That's correct.
 13 Q. In reviewing the files for Lakeview,
 14 did Cameron, Griffiths & Pryce discover that
 15 any money was actually missing or unaccounted
 16 for?
 17 A. We could not make that
 18 determination.
 19 Q. In reviewing the files for
 20 Logan, did Cameron, Griffiths & Pryce discover
 21 that any money was missing or unaccounted for?
 22 A. We could not make that
 23 determination.
 24 Q. In reviewing the files of Church
 25 Homes, did you discover any home that was

25 (Pages 94 to 97)

98

100

1 Orley George Cameron
2 missing or unaccounted for?
3 A. We could not make that
4 determination.
5 MR. HAYWOODE: I object to the use
6 of the term "unaccounted for," because
7 there were several projections that
8 would say supporting evidence was not
9 supported.
10 MR. TRAUB: Your objection goes
11 beyond --
12 MR. HAYWOODE: I object to the form
13 of the question.
14 MR. TRAUB: That is all you need to
15 say.
16 There is no question before you
17 right now.
18 Q. My next question is, in reviewing
19 the files of Charles Hill, did Cameron,
20 Griffiths & Pryce discover any money that was
21 missing or unaccounted for?
22 A. If I may use this opportunity to
23 clarify --
24 Q. First answer the last question.
25 A. Not based on -- again, based on

99

101

1 Orley George Cameron
2 information we have we can't make that
3 determination.
4 You notice that the report is a
5 disclaimer because we did not have
6 sufficient -- we were not provided with all
7 the information that we need.
8 Q. When you say the report is a
9 disclaimer report, are you referring to
10 Defendants' Exhibit 14 or Defendants' Exhibit
11 15?
12 A. Let me see which one is which.
13 This is 15.
14 Number 14, yes.
15 Q. Okay.
16 Did you or anyone to your knowledge
17 at Cameron, Griffiths & Pryce ever tell
18 Mr. Edmonds or Mr. Haywoode that you have
19 discovered approximately a \$4 million
20 discrepancy between the claimed expenses and
21 any supporting documents for 2006 in any of
22 the partnerships?
23 A. At various stages, yes.
24 Q. And what did you tell him about
25 that?

1 Orley George Cameron
2 A. Because the expenses were on the
3 books.
4 The document was not available to
5 vouch for those expenses, and that's what is
6 in the disclaimer report. We were unable to
7 vouch for the amounts.
8 Q. So do you see the amount of money
9 that is being reported but you are unable to
10 actually verify that that amount --
11 A. Right.
12 Q. -- was spent?
13 A. Right. In other words, the
14 documentation supporting them, and most of
15 those within those adjusting journal entries
16 were not available.
17 Q. Did you ever tell him a figure
18 different than \$4 million?
19 A. When we get, after -- I think, what
20 do you call it -- the deposition started,
21 discovery started and we were given additional
22 information, we were able to update our
23 records.
24 Q. Since the discovery has started and
25 you were given additional information, have

1 Orley George Cameron
2 you been able to find documents to support
3 some of the numbers?
4 A. Some, yes.
5 Q. But the number has not gone up since
6 then?
7 A. No. It has not gone up, no.
8 Q. Have you discovered in reviewing all
9 of the documents any payments that have gone
10 directly to any of the Seaveys from a vendor?
11 A. Gone to the Seaveys from a vendor?
12 Q. Directly to the Seaveys from a
13 vendor.
14 A. That would not be in the document,
15 no.
16 Q. Have you not seen any documents that
17 show that?
18 A. That shows the vendor is someone
19 that Dalton would have paid.
20 Q. Yes. So you are not seeing any
21 money from a vendor to the Seaveys; is that
22 correct?
23 MR. HAYWOODE: Objection.
24 A. No. I don't know. Why would I see
25 them in these books?

26 (Pages 98 to 101)

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1 Orley George Cameron
 2 Q. So the answer is no, then, you have
 3 not seen any documents?
 4 MR. HAYWOODE: In these books.
 5 A. Not in those books, no.
 6 Q. Have you seen any documents outside
 7 of the books?
 8 A. No.
 9 Q. Have you seen any payments that have
 10 gone from a tenant to any of the partnership
 11 projects directly to the Seaveys?
 12 A. No.
 13 Q. Earlier you said you have been paid
 14 roughly \$150,000 or \$160,000 for the original
 15 project, and then you stated that you may
 16 anticipate expanding the project and getting a
 17 different retainer?
 18 A. No, not that I anticipate. Well, I
 19 anticipate, because of the expansion of the
 20 project, right.
 21 Q. How has the project expanded since
 22 the original project that you had already
 23 discussed with us?
 24 A. The original engagement was to do a
 25 financial statement audit of '06.

103

1 Orley George Cameron
 2 We have since then, there's a need
 3 to look at records going back to 2000.
 4 Q. So, in other words, you have now
 5 been asked to look at documents and records
 6 other than the 2006 audit, but when you were
 7 originally retained it was only to review
 8 the books and records of 2006; is that right?
 9 A. Right.
 10 Actually, Mr. Edmonds contemplated a
 11 full audit beginning with 2002, but as a start
 12 we said let's start with '06.
 13 Q. When were you asked to expand your
 14 review of the audit outside of 2006, tax
 15 returns, documents and statements?
 16 MR. KELLY: I object to the form of
 17 that.
 18 Q. You can answer.
 19 A. When was I asked?
 20 Q. When were you asked to expand the
 21 scope of your audit from the 2006 books and
 22 records?
 23 A. I don't remember specifically.
 24 I think we gave -- the report is
 25 dated November 29, '08.

104

1 Orley George Cameron
 2 Q. Which report are you talking about?
 3 A. Exhibit 14.
 4 Q. Exhibit 14. Okay.
 5 A. So I'm sure it's subsequent to that.
 6 Q. Before you began your audit, were
 7 you shown any drafts of any complaints,
 8 affidavits or any other legal pleadings
 9 prepared for this lawsuit?
 10 A. No.
 11 Q. I think you testified earlier that
 12 the only auditor's report and written report
 13 giving or setting forth some findings were
 14 Defendants' Exhibits 14 and 15; is that
 15 correct?
 16 A. Um-hum.
 17 MR. KELLY: Wait. An oral answer,
 18 please.
 19 A. Oh, yes. I'm sorry.
 20 Q. Have you modified in any way
 21 Defendants' Exhibits 14 or 15 orally to
 22 Mr. Edmonds?
 23 A. If I modified it?
 24 Q. Yes.
 25 A. I don't understand what you mean by...

105

1 Orley George Cameron
 2 modify it.
 3 Q. Have you told him any additional
 4 information or findings, other than as
 5 reflected in Defendants' Exhibits 14 and 15?
 6 A. Yes. Actually, yes.
 7 Since, based on the discovery, there
 8 was an invoice for \$22,000 that was dated, I
 9 think, in '05. I think it was dated in '05
 10 that was providing support of a closing and
 11 was amortized as part of a closing cost that
 12 was conducted in March of '04. The closing
 13 was in March or -- I'm sorry -- '04, yes,
 14 March or April of '04.
 15 And that invoice was issued in '05.
 16 I think it's about thirteen months after and
 17 was being amortized as part of the closing.
 18 I obviously had some concern about
 19 that. Number one, it's legitimacy, since it
 20 came in a year after, and it's proprietary
 21 because it's amortized. Audits are never
 22 amortized. That's number one.
 23 Number two, I think it compromises
 24 the audit function because the auditor is
 25 actually auditing his own work.

27 (Pages 102 to 105)

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1 Orley George Cameron
2 I mean, assuming the invoice,
3 because the invoice was amortized -- the word
4 is "capitalized" -- as part of the audit, as
5 part of a mortgage closing, but it lists
6 several items on the invoice including, I
7 don't remember the specific wording, something
8 that has to do with review mortgage document,
9 because it talks about taxes, it talks about
10 cash flows, it talks about requests from the
11 partners. That was the invoice from Marks
12 Paneth & Shron.

13 Q. So other than the invoice to Marks
14 Paneth & Shron for \$22,000 --

15 A. Actually, it's a little bit more
16 than that.

17 Q. Approximately \$22,000.

18 Have you advised Mr. Edmonds of any
19 other issues you have discovered other than as
20 set forth in Defendants' Exhibits 14 and 15?

21 A. No, just general discussion of the
22 nature and the quality of the internal control
23 structure and accounting records.

24 MR. HAYWOODE: Mr. Traub, I know
25 most of the exhibits were given to you.

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1 Orley George Cameron
2 You are asking him if he said
3 anything else.

4 All those documents came from this
5 witness.

6 MR. TRAUB: I think when you review
7 the transcript you will see my question
8 was, did he give any other investigation
9 reports or statements of what he's
10 discovered.

11 What you are referring to is you
12 have, and I will state on the record, you
13 have provided us with letters from
14 Cameron, Griffiths & Pryce to Dalton
15 Management and some of the other
16 defendants, including Marks Paneth &
17 Shron, requesting additional documents.

18 MR. HAYWOODE: And you have certain
19 commentary which I specifically recall
20 which you have not questioned this
21 witness about today, and all of that
22 originated with this witness.

23 I just want that clear on the
24 record, because you are asking him is
25 there anything else, and you and I and

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1 Orley George Cameron

2 Bill know there is something else.

3 MR. TRAUB: I think the witness has
4 already answered the questions and the
5 transcript and the witness's sworn
6 testimony will speak for itself, and I am
7 comfortable with that.

8 MR. HAYWOODE: We, the attorneys,
9 know there were more documents than you
10 have referred to.

11 MR. TRAUB: I will give you a chance.

12 What other documents do you believe
13 constitute an investigative report or are
14 you constituting show one of the
15 auditor's commentary or discovery was
16 related to their audit that is not
17 contained in Defendants' Exhibits 14 and
18 15, which Mr. Cameron himself has
19 testified constitute the world of those
20 such documents?

21 MR. HAYWOODE: I am not going to
22 take your question because I don't
23 know what you mean by the terminology
24 "auditing" report.

25 I am simply stating for the record

109

1 Orley George Cameron

2 that you have in your possession, and
3 Bill Kelly has, too, more documents from
4 Cameron, Griffiths & Pryce than you have
5 raised and referred to in this
6 deposition.

7 That's all I'm pointing out. You
8 have more.

9 MR. TRAUB: I am sure in your
10 response to our discovery and motion, you
11 will answer that to the court.

12 MR. HAYWOODE: Everyone will answer
13 something.

14 Q. You stated in response to
15 Mr. Kelly's question about what did you find
16 was inaccurate or misleading about the monthly
17 statements Mr. Edmonds was receiving from
18 Dalton, and your comment was the distribution
19 accounts were incorrect.

20 Is that a fair characterization of
21 your testimony?

22 A. Yes.

23 Q. When you discussed the distribution
24 number which is identified in the monthly
25 statements with Mr. Dawley, didn't he tell you

28 (Pages 106 to 109)

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1 Orley George Cameron
 2 that number was actually the running total of
 3 what had been distributed to the partners from
 4 Dalton not just in the year identified on that
 5 financial statement?
 6 MR. HAYWOODE: Objection to the
 7 leading nature of the question.
 8 A. No. The question is clear. He
 9 didn't tell me that.
 10 What he told me was the adjusting
 11 entries were booked in the distribution
 12 account.
 13 Q. Isn't it true, though, that what you
 14 found when you were auditing the financial
 15 statements of the company that the financial
 16 statements only showed what had actually been
 17 distributed for that year?
 18 A. Yes.
 19 It showed what was distributed for
 20 that year, but where is the cumulative
 21 distribution?
 22 Q. Did you find any distributions that
 23 were unequal, in other words, more money that
 24 was going to the Seaveys than was going to
 25 Mr. Edmonds?

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1 Orley George Cameron
 2 A. No, we didn't find that, no.
 3 MR. TRAUB: I am done with my
 4 questions.
 5 I think Mr. Kelly has a few
 6 additional questions.
 7 MR. KELLY: Actually, Mr. Haywoode
 8 has the opportunity to question you
 9 before I ask my questions.
 10 EXAMINATION
 11 BY MR. HAYWOODE:
 12 Q. Mr. Cameron, with regard to Fifth
 13 and 106th Street Housing Corporation, have you
 14 heard that Mr. Edmonds has been previously
 15 advised or did he discuss with you that
 16 previous managers had indicated that \$638 per
 17 unit would cover the expense, the yearly
 18 expense of Fifth and 106th Street
 19 Corporation?
 20 Had you heard that; \$638 per month?
 21 A. Yes. Mr. Edmonds had that
 22 discussion with me.
 23 Q. I am just throwing out positive
 24 figures. When you multiply that out for the
 25 446 units there, that would be about \$3.12

112

1 Orley George Cameron
 2 million in expense for that housing company
 3 for one year, would that be correct,
 4 approximately?
 5 A. I generally depend on computers for
 6 the calculation.
 7 Q. Assuming, arguendo, multiplying 446
 8 on a yearly monthly basis, an average of \$638
 9 would be that, do you know the gross income of
 10 Fifth and 106th Street to be 7 million or so
 11 dollars a year?
 12 A. In '06 the gross income is 6 plus, I
 13 don't remember the exact amount, but it's
 14 above \$6 million.
 15 Q. So it is fair to say that, assuming
 16 the accuracy of those numbers, about
 17 \$3 million yearly being generated at Fifth and
 18 106th which is not attributable to expense?
 19 MR. TRAUB: Objection.
 20 Lacks foundation.
 21 Q. Assuming that the expense was
 22 \$3 million and the income was 6, whatever, it
 23 would be \$3 million theoretically left after
 24 all expenditures, according to what we all
 25 discussed, is that correct?

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1 Orley George Cameron
 2 MR. TRAUB: Objection. Assumes
 3 facts not in evidence.
 4 MR. KELLY: Objection.
 5 MR. HAYWOODE: The witness just
 6 testified to that.
 7 A. Theoretically, it's a theoretical
 8 question, and I answered theoretically yes.
 9 Q. Did 106th Street report a profit for
 10 2006 or did they report a deficit?
 11 A. They reported a deficit.
 12 Q. And how much was that deficit, if
 13 you recall?
 14 A. I don't recall.
 15 It's in excess of a million dollars.
 16 I don't recall exactly what the amount is.
 17 Q. If I suggested it was \$2,000, would
 18 that refresh your recollection, a deficit for
 19 106th Street after receiving \$6.8 million was
 20 \$2,000, does that refresh your recollection at
 21 all?
 22 MR. KELLY: Objection.
 23 A. I would have to go back and look at
 24 it.
 25 Q. Now, was any distribution made from

29 (Pages 110 to 113)

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1 Orley George Cameron
2 106th Street to either Mr. Edmonds as the
3 general managing partner or to any of the
4 limiteds, was any distribution made to them?

5 A. In '06, I don't recall any
6 distribution.

7 Q. You are aware, are you not, that in
8 addition to the lawsuit being brought by John
9 Edmonds that several of the limited partners
10 have also brought a claim against these
11 defendants for these same reasons, are you
12 aware of that?

13 MR. TRAUB: Objection.

14 A, that's not accurate.

15 If you are going to ask a question,
16 you should also reflect on the record
17 that Mr. Edmonds was also named as a
18 defendant in that lawsuit.

19 MR. HAYWOODE: Which part of it is
20 not accurate?

21 MR. TRAUB: Not all of these
22 defendants were named in the lawsuit
23 brought by the Singers, and in fact your
24 lawsuit was a named defendant in there as
25 well.

115

1 Orley George Cameron
2 MR. HAYWOODE: I will accept your
3 correction that there were two lawsuits.

4 The first one did not claim John
5 Edmonds, is that correct, and the second
6 one did, but it sought the sale of the
7 property; is that correct?

8 MR. TRAUB: Are you talking about
9 the current one that is actually pending
10 now?

11 MR. HAYWOODE: I am talking about
12 the two suits that were brought by the
13 limiteds.

14 MR. TRAUB: I believe the first one
15 did not name Mr. Edmonds as a defendant.

16 It also did not name all of these
17 defendants as named defendants.

18 MR. HAYWOODE: Okay.

19 I have no further questions.

20 MR. KELLY: I have some questions
21 about what Mr. Haywoode was just asking
22 about.

23 MR. TRAUB: Just so the record is
24 clear, I believe Mr. Edmonds testified
25 that he joined as a plaintiff in the

1 Orley George Cameron
2 first lawsuit as well.

3 MR. HAYWOODE: Okay.

4 EXAMINATION

5 BY MR. KELLY:

6 Q. Mr. Cameron, you were just asked
7 several questions about other lawsuits
8 involving the limited partners.

9 How did you learn about those
10 lawsuits?

11 A. I mean, just in conversation between
12 the attorneys.

13 Q. Do you mean conversation between you
14 and Mr. Haywoode prior to today or just now as
15 we are sitting here?

16 A. Well, I mean conversation between
17 the attorneys.

18 MR. HAYWOODE: Indicating

19 Mr. Edmonds and myself.

20 THE WITNESS: Right.

21 A. I mean, those are not conversation
22 that I am a part of, but in the same way I am
23 hearing it between you both or between you.
24 That's all I heard.

25 MR. HAYWOODE: So indicating

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1 Orley George Cameron
2 Mr. Edmonds, Mr. Haywoode, Mr. Traub and
3 Mr. Kelly.

4 Q. In connection with one of the
5 questions Mr. Traub asked you about the
6 \$4 million discrepancy, you responded, we
7 update our records.

8 A. Yes.

9 Q. What did you mean by update our
10 records?

11 A. In other words, some of the
12 information we got during the discovery, we
13 were able to vouch for some of the items that
14 we were looking for.

15 We still need explanation.

16 Q. What records do you maintain in
17 connection with this?

18 A. The records that we received we
19 have.

20 Q. Do you have workpapers that you
21 created in connection with this engagement?

22 A. Yes, we do.

23 Q. Are those workpapers maintained at
24 Cameron, Griffiths & Pryce?

25 A. Yes.

30 (Pages 114 to 117)

118

1 Orley George Cameron
 2 Q. Are those the records you are
 3 referring to when you say you have updated the
 4 records?
 5 A. Right, um-hum.
 6 Q. Do you know what the current amount
 7 of the discrepancy you identified is?
 8 A. No. I have not -- I don't have it
 9 in front of me.
 10 Q. But is that the figure you could
 11 figure out if you saw your records?
 12 A. Yes.
 13 Q. Do you have any idea of what it is
 14 as we sit here today?
 15 A. No, because I remember there was
 16 2.1 million on Lakeview specifically, yes.
 17 Q. The 2.1 million for Lakeview that
 18 you are recalling, that is information you
 19 haven't been able to get the records to
 20 verify?
 21 A. Right, to vouch, right, or some of
 22 the records that we received is not clear.
 23 Q. So if you were to review --
 24 MR. HAYWOODE: I am sorry. The
 25 witness was still answering.

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1 Orley George Cameron
 2 A. (continuing) I am saying some of the
 3 records we received were not clear.
 4 So, for example, we had asked for
 5 information to support the prepaid real estate
 6 tax. The information we got is actually a
 7 printout from the Department -- from the
 8 New York City Tax Department, which shows
 9 payment for tax for the current period.
 10 I think there was one payment for a
 11 subsequent period, which did not amount to the
 12 amount on the -- we can go over it, the
 13 records I got -- that amount on the balance
 14 sheet or in the general ledger for prepaid
 15 tax.
 16 Q. So if you were provided the
 17 appropriate record, you could then verify that
 18 the amounts were paid properly?
 19 MR. HAYWOODE: Objection as to what
 20 the appropriate record is.
 21 A. If we were provided the appropriate
 22 record, yes, because that's what we do. We
 23 look for appropriate records.
 24 MR. KELLY: I have no further
 25 questions.

120

1 Orley George Cameron
 2 MR. TRAUB: I have a few.
 3 EXAMINATION
 4 BY MR. TRAUB:
 5 Q. The loss that was reported in 2006
 6 for Lakeview, that included depreciation and
 7 amortization, did it not?
 8 A. I'm sure it would, yes.
 9 Q. Those are non-cash items, isn't that
 10 correct?
 11 A. Correct.
 12 Q. And you actually found invoices to
 13 support expenditures in excess of \$3 million
 14 for 2006 on Lakeview; did you not?
 15 A. Since we have a difference, the
 16 expenditures -- I don't recall. I don't
 17 recall.
 18 Q. In the invoices and the backup
 19 documentation that you have been provided,
 20 have you found any discrepancies between those
 21 invoices or other items and the amounts
 22 reported in the general ledger?
 23 A. The discrepancy between those
 24 amounts, yes, because one of which I pointed
 25 out was that invoice from Marks Paneth & Shron.

121

1 Orley George Cameron
 2 for '05.
 3 The invoice was dated in '05, but it
 4 was for service and was capitalized for
 5 service performed in '04. That's number one.
 6 Number two, we saw -- there were
 7 invoices, I think it was displayed at one of
 8 the depositions, there was an invoice for
 9 service that was provided in '04.
 10 Actually, the invoice was dated in
 11 '02, but it was expensed in '06.
 12 Q. But the numbers were accurate, were
 13 they not?
 14 MR. HAYWOODE: Objection.
 15 A. I don't know whether they were
 16 accurate.
 17 Q. In other words, the numbers that
 18 were reported on the books and records were
 19 the same as the numbers that are on the actual
 20 invoices; isn't that true?
 21 A. Right. It was compounded. So part
 22 of that payment, it was a compound payment and
 23 part of that payment and included in that
 24 payment was an invoice dated from '02 and it
 25 was expensed in '06.

31 (Pages 118 to 121)

122

1 Orley George Cameron
2 Q. And the numbers that were listed
3 on the 2002 invoice and the numbers that are
4 listed on the books and records for that
5 invoice, the payments are the same?

6 A. The payments are the same but there
7 is a problem with the invoice.

8 The invoice, if it was outstanding
9 from '02, I mean obviously there's a problem
10 with that, number one.

11 If the auditor was not paid since
12 '02 it's a problem with independence. That's
13 number one.

14 Number two, it was not accrued in
15 the financial statement before because it was
16 not listed as an outstanding amount, and if it
17 was, it also would pose an independence
18 problem.

19 And since it was dated in '02 and it
20 was paid in '06, it should have been adjusted
21 to the prior period and not be expensed in the
22 current period.

23 So there were quite a number of
24 issues with it.

25 Q. But, Mr. Cameron, my question to you

123

1 Orley George Cameron
2 is the numbers --

3 A. The amounts.

4 Q. -- the amounts are the same?

5 A. Yes.

6 Q. And the same question for the 2005
7 approximately \$22,000 invoice that you were
8 referring to, the amounts are the same on the
9 invoice than are listed in the books and
10 records; is that correct?

11 A. Yes.

12 EXAMINATION

13 BY MR. HAYWOODE:

14 Q. May I inquire on this point:

15 These books are kept on the accrual
16 basis and expense accrued in 2002 would have
17 been expensed in 2002; is that correct?

18 MR. TRAUB: Objection.

19 I want to quickly correct your
20 question.

21 MR. HAYWOODE: Hold it.

22 MR. TRAUB: The books are on a cash
23 basis.

24 MR. HAYWOODE: Let's let him answer
25 it.

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1 Orley George Cameron

2 Q. If they were on an accrual basis,
3 they would have expensed that money in 2002,
4 is that correct?

5 MR. KELLY: Objection.

6 A. If I may answer the question or if I
7 may clarify the issue. I am using my
8 expertise as an accountant, if you will permit
9 me to answer the question.

10 MR. TRAUB: Before you do,

11 Mr. Haywoode --

12 MR. HAYWOODE: Let's let him answer
13 the question.

14 MR. TRAUB: No.

15 Are you proffering him as an expert
16 on accounting?

17 MR. HAYWOODE: I am not dealing with
18 that now.

19 May we have his answer? Let's have
20 his answer and then -- Darren, you're
21 interrupting the witness's testimony.

22 MR. TRAUB: He is about to testify
23 as an expert on accounting.

24 THE WITNESS: As a professional
25 accountant.

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1 Orley George Cameron

2 MR. TRAUB: Are you proffering
3 him as an expert on accounting,
4 Mr. Haywoode?

5 MR. HAYWOODE: I am asking that the
6 witness answer the question, and you can
7 put any other question you have.

8 EXAMINATION

9 BY MR. HAYWOODE:

10 Q. Do you recall the question?

11 A. No. Could you remind me of the
12 question?

13 Q. If I am on the accrual basis and I
14 receive money in 2005, the money to Marks
15 Paneth & Shron, would it not have been
16 expensed -- I'm sorry -- in 2002, would it not
17 have been expensed in 2002 and deducted in
18 2002?

19 A. That is correct.

20 MR. TRAUB: Objection.

21 Q. Now, if it later appeared in 2006
22 and was deducted in 2006 again in whole,
23 wouldn't I be expensing the same amount of
24 money twice in two different years?

25 A. That is correct.

32 (Pages 122 to 125)

126

1 Orley George Cameron
 2 MR. KELLY: Objection.
 3 Q. Now, you heard testimony here that
 4 \$181,000 in 2000, I believe Mr. Dawley
 5 testified to it, was made payable to Dalton,
 6 which was really money that was owed to
 7 Prestige Management, Marion Scott Management
 8 and Grenadier Management -- did you hear that
 9 testimony?
 10 MR. TRAUB: Objection to form.
 11 Misstates prior testimony.
 12 MR. KELLY: Objection.
 13 MR. TRAUB: And for the record,
 14 Mr. Edmonds actually testified that he
 15 believed that money is due to him.
 16 MR. HAYWOODE: Counsel is testifying
 17 now.
 18 Q. Did you hear about the 181,000
 19 previously that Mr. Dawley I believe testified
 20 was attributed as being payable to Dalton
 21 though it was owed to the previous management
 22 company before Dalton came on board? Did you
 23 hear that testimony?
 24 MR. KELLY: Objection.
 25 A. I heard the testimony from Dawley,

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1 Orley George Cameron
 2 yes.
 3 In our review of the records we
 4 asked for documentation to support the
 5 accounts payable and part of what we were
 6 given was from the accountant, actually, was
 7 information that \$181,000 is payable to Dalton
 8 Management.
 9 But then I later learned, and also
 10 confirmed by Mrs. Seavey, that was actually
 11 due to the partners.
 12 Q. And if they were accounting on the
 13 accrual basis in the 1990s when this money was
 14 accrued to Prestige, Grenadier, and Marion
 15 Scott, money would have been expensed in those
 16 years; is that correct?
 17 A. It should have been expensed, yes.
 18 MR. TRAUB: Objection.
 19 A. That's the reason why it was -- for
 20 it to be listed as accounts payable it means
 21 that it was expensed, yes.
 22 Q. And if that money continues on the
 23 books for a period of nine years and if it
 24 were to be paid out, let's say, in 2012 to
 25 Dalton Management, it would be wrong to

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1 Orley George Cameron
 2 expense that money yet again; would it not?
 3 MR. TRAUB: Objection.
 4 Calls for an improper hypothetical
 5 and a legal conclusion.
 6 MR. KELLY: Objection.
 7 A. Yes, but if it's paid out again it
 8 doesn't have to be expensed because it's not
 9 really accrued.
 10 So when you pay the second time,
 11 it's not expensed.
 12 Q. It shouldn't be expensed?
 13 A. It shouldn't be expensed.
 14 Q. So that if Mr. Dawley testified at
 15 his deposition that the money was being held
 16 and could be expensed a second time in paying
 17 it to the managing general partners, that
 18 would be a double expensing of the same amount
 19 of money; would it not?
 20 MR. TRAUB: Objection.
 21 Misstates prior testimony.
 22 MR. KELLY: Objection.
 23 A. I mean, if it was expensed, but I
 24 don't think -- just to add, I don't think the
 25 issue was whether or not it could be expensed

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1 Orley George Cameron
 2 again because it had already been expensed and
 3 is listed in accounts payable.
 4 I think the issue for us, when we
 5 reviewed it, was the appropriateness of it
 6 being listed as due to Dawley.
 7 MR. TRAUB: Dalton?
 8 THE WITNESS: I'm sorry. To Dalton
 9 Management.
 10 Why do I keep mixing the two?
 11 Q. What was inappropriate about it?
 12 A. The fact that it was an invoice
 13 presented by another management company and
 14 this is now being made payable to the current
 15 management company.
 16 As a matter of fact, technically,
 17 number one, the fact that the tax returns, and
 18 the tax returns are prepared on an accrual
 19 basis, they are not prepared on a cash basis.
 20 They are prepared on an accrual basis.
 21 The fact that they are prepared on
 22 an accrual basis and were included in
 23 expense -- you are shaking your head -- the
 24 tax returns I have is prepared on an accrual
 25 basis.

33 (Pages 126 to 129)

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1 Orley George Cameron
2 So that if they were expensed on the
3 tax return in whatever year, technically if
4 it's not paid within a certain period of time,
5 it has to be written back or written off or be
6 charged off, had to be adjusted back. That's
7 an IRS requirement.

8 A GAAP requirement is that if the
9 liability is not going to be paid to the
10 invoice, to the vendor that supplied that
11 invoice, that it has to be written off.

12 So it's not -- it's not GAAP for it
13 to be carried on the balance sheet indefinite.

14 Q. Do you know who the --

15 A. And GAAP means not accepted by
16 accounting principle.

17 Q. Do you know who the principals of
18 Dalton Management are?

19 A. I'm not sure.

20 Q. To your knowledge, is John Edmonds
21 in any way a principal involved with Dalton
22 Management other than as a general managing
23 partner of properties that they manage?

24 He is not a principal of Dalton?

25 A. John told me he is not a part owner

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1 Orley George Cameron
2 of Dalton Management.

3 Q. To your knowledge, is Nealle Seavey
4 a member of Dalton Management, to your
5 knowledge?

6 A. To my knowledge, frankly, I'm not
7 sure who the owners, the principal of Dalton
8 Management are.

9 I know Ron is the CEO.

10 Q. Indicating Mr. Dawley?

11 A. Mr. Dawley.

12 I don't know who the owners are.

13 Q. You have no knowledge as to whether
14 Phyllis or Robert Seavey are members of Dalton
15 Management?

16 A. I think not knowledge that I can
17 verify, but I think by in discussion, yes, I
18 have, yes. They are the principals.

19 MR. HAYWOODE: That's all.

20 MR. KELLY: I have just a clarifying
21 question from what Mr. Haywoode asked
22 regarding the '02 invoice.

23 THE WITNESS: Which one?

24 EXAMINATION

25 BY MR. KELLY:

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1 Orley George Cameron

2 Q. I have some followup questions about
3 what Mr. Haywoode was asking regarding the
4 invoice for, I think you just referred to it
5 as the '02 invoice that accrued in '02.

6 Then it was recorded on the
7 financial statements on the accrual basis for
8 '02, but it wasn't actually paid until '06.

9 A. Is that what my response was?

10 Q. I want to clarify that. I wasn't
11 sure what your response was.

12 A. My response was that there was an
13 invoice that was dated in '02 but was expensed
14 in '06. It was paid and expensed in '06. And
15 I'm saying that it's clearly improper, because
16 if it was an '02 invoice, if it was not paid,
17 it should have been accrued.

18 MR. HAYWOODE: Do you know --

19 MR. KELLY: Let me finish.

20 Q. How many times was that invoice
21 actually paid?

22 A. I have no way of knowing.

23 Q. Do you know if that invoice was
24 actually paid?

25 A. In '06, yes.

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1 Orley George Cameron

2 Q. It was paid in '06?

3 A. Yes.

4 Q. Do you know if it was paid in '02,
5 as well?

6 A. I do not know.

7 Q. So as far as you know it was only
8 paid once?

9 A. It was paid in '06, as far as I
10 know.

11 Q. And whether it was properly recorded
12 as an expense in '02 or '06, that's just an
13 accounting column to put it in, it's not a
14 misappropriation of funds; correct?

15 A. Well, it was also a misstatement of
16 the report, especially given the fact that
17 it's the auditor's invoice.

18 Q. Do you know the amount of that
19 invoice?

20 A. The invoice, I think the amount that
21 was paid from that invoice, the total invoice
22 is exceeding 100,000, but the balance that was
23 paid -- I know the balance that was paid in
24 '06 was 15,000.

25 Q. 15,000?

34 (Pages 130 to 133)

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1 Orley George Cameron
 2 A. The total amount of the invoice, I
 3 don't know.
 4 Q. When conducting an audit, does the
 5 auditor determine a level of materiality for
 6 transactions?
 7 A. Yes.
 8 Q. Do you know what the level of
 9 materiality for transactions were for the
 10 audit of this entity?
 11 A. Each auditor determines their own
 12 level of materiality.
 13 Q. Do you know what the level of
 14 materiality was that Marks Paneth & Shron as
 15 auditors determined for this entity?
 16 A. No.
 17 Q. So do you know if this payment in
 18 2006 was above or below that level of
 19 materiality?
 20 A. I would not know, but given the fact
 21 that amount was adjusted -- I mean materiality
 22 is what you use as a gauge to determine the
 23 extent of your audit or if there is a
 24 misstatement, whether or not you are going to
 25 consider it serious.

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1 Orley George Cameron
 2 However, when you are aware of --
 3 when you are aware of, it doesn't matter if
 4 it's a penny, if you are aware of a
 5 misstatement you have a duty, too. You cannot
 6 shun that based on materiality. You have
 7 to -- I mean you have to address it.
 8 And that invoice -- those payments
 9 were reclassified from accounting to management
 10 consulting.
 11 Q. Do you know what sources were
 12 provided in connection with that
 13 reclassification?
 14 A. Well, actually it's a whole variety
 15 of services, including auditing, management
 16 consulting, it was a very detailed bill, phone
 17 calls, conversation. It was very detailed.
 18 Q. So that some of the items on that
 19 bill relating to management consulting would
 20 justify reclassifying part of that invoice to
 21 management consulting duties?
 22 A. It would, yes, but it would also
 23 need to be reclassified to the prior period.
 24 Q. Another topic Mr. Haywoode asked you
 25 about included the \$191,000 that Mr. Edmonds

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1 Orley George Cameron
 2 --
 3 A. 181.
 4 Q. -- 181 payable to a previous
 5 management company, and you had testified that
 6 it shouldn't be on the books for this long.
 7 A. Right.
 8 Q. What would happen --
 9 MR. KELLY: Strike that.
 10 Q. If you wrote that payment off the
 11 books, would that result in an income to --
 12 taxable income to the entity?
 13 A. Yes.
 14 Q. And by keeping it on the books, you
 15 are avoiding having to report that taxable
 16 income or claim that taxable income; correct?
 17 A. Yes. Be careful with the term you
 18 use.
 19 Q. I am using layman's terms at this
 20 point, not technical accounting terms.
 21 So if that payment were to be made,
 22 it would cause taxable income to the entity?
 23 MR. HAYWOODE: I assume you mean
 24 Dalton Management?
 25 A. If the payment were to be made?

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1 Orley George Cameron
 2 Q. The partnership has it on the books
 3 as an expense that has already been paid;
 4 correct?
 5 A. That had been accrued.
 6 Q. That had already been accrued.
 7 If that expense is written off, that
 8 would count as income to the partnership;
 9 correct?
 10 A. Yes.
 11 MR. TRAUB: Can you clarify that?
 12 Q. To Logan Partnership?
 13 A. Yes.
 14 Q. If Logan Partnership has to report
 15 \$181,000 in additional income, it would have to
 16 pay taxes on that additional income; correct?
 17 A. The partners would.
 18 Q. Partners would?
 19 A. Um-hum.
 20 Q. So if this amount was written off,
 21 then the partners would have to report income
 22 in relation to that \$181,000; correct?
 23 A. Um-hum, yes.
 24 Q. And the partnership I am referring
 25 to is Logan?

35 (Pages 134 to 137)

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1 Orley George Cameron
 2 A. Logan, yes.
 3 Q. The money, no matter who it's paid
 4 to, would have to be recaptured -- that's the
 5 term -- as income --
 6 A. Right.
 7 Q. -- to Logan Partnership?
 8 A. Partnership.
 9 Q. Whoever received that money would
 10 also have to pay income tax depending on the
 11 personal situation on that as income?
 12 A. Yes.
 13 MR. KELLY: I have no further
 14 questions.
 15 EXAMINATION
 16 BY MR. TRAUB:
 17 Q. Mr. Haywoode had asked you a bunch
 18 of hypotheticals regarding books and records
 19 that are kept on an appreciated basis.
 20 A. On an accrual basis.
 21 Q. I'm sorry. On an accrual basis.
 22 Isn't it true that the books and
 23 records of the partnership are kept on a cash
 24 basis?
 25 A. They're kept on a cash basis, but

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1 Orley George Cameron
 2 the accruals are carried back -- the accruals
 3 are entered in by the accountant each year in
 4 order to adjust it.
 5 Q. By the auditors Marks Paneth &
 6 Shron?
 7 A. By the auditors Marks Paneth &
 8 Shron.
 9 Q. But they are kept on a cash basis?
 10 A. The books are kept on a cash basis,
 11 right.
 12 Q. I just want to be clear:
 13 With regard to the \$181,000 that we
 14 have all been discussing over the last few
 15 minutes, that has not been paid to anyone; is
 16 that correct?
 17 A. No.
 18 Q. The Seaveys have not been paid any
 19 money from that \$181,000, as far as you know?
 20 A. As far as '06.
 21 Q. And Dalton Management has not been
 22 paid that \$181,000?
 23 A. As far as '06, yes.
 24 Q. Has Mr. Edmonds ever told you that
 25 he is laying claim to half of that \$181,000?

1 Orley George Cameron
 2 A. Did we have a discussion about
 3 that? I'm not sure.
 4 I think Mr. Seavey told me it
 5 belongs to the partners.
 6 Q. Has Mr. Edmonds ever told you that
 7 half of that belongs to him?
 8 A. No. We have never had such
 9 discussion, no.
 10 MR. TRAUB: I have nothing
 11 further.
 12 EXAMINATION
 13 BY MR. HAYWOODE:
 14 Q. Mr. Cameron, if another ten years
 15 went by and the current party has moved to
 16 another jurisdiction, something like that,
 17 this money would still be on the books payable
 18 to Dalton Management; is that correct?
 19 A. I am not speaking of the prophesies.
 20 Q. The hypothetical.
 21 A. That's prophesying.
 22 MR. TRAUB: He wasn't finished with
 23 his answer.
 24 A. The fact that it is from my
 25 information it has been on the books prior to

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1 Orley George Cameron
 2 the year 2000.
 3 I'm saying based on all standards,
 4 GAAP and IRS standards, it should not be.
 5 One of the major problems, it was
 6 renamed. The vendor was renamed. I mean, a
 7 vendor supplied an invoice and the invoice is
 8 accrued. So that if that vendor is entered
 9 to the invoice, it remains in the vendor's
 10 name.
 11 If it doesn't, if the vendor is not
 12 entitled to the invoice and it is so
 13 determined, then it has to be written back.
 14 I mean, that's what my profession
 15 tells me how to treat that.
 16 Q. And if I carry it for ten more years
 17 in the name of Dalton Management, ten years
 18 from now, what would stop me from expensing
 19 that money a second time to Dalton
 20 Management?
 21 MR. KELLY: Objection.
 22 MR. TRAUB: Objection.
 23 A. Well, I'm not a prophet, but if you
 24 notice in our management comment, we adjust
 25 that. The fact that if it doesn't belong, it

36 (Pages 138 to 141)

<p>142</p> <p>1 Orley George Cameron</p> <p>2 has to be labeled to who it belongs, and if</p> <p>3 it's not it should be written off.</p> <p>4 Q. With regard to related parties and</p> <p>5 materiality, if monies are paid, say to Dalton</p> <p>6 Management, and if Dalton Management is an</p> <p>7 organization owned or controlled by the Seavey</p> <p>8 group or members of the family, should there</p> <p>9 be any particular attention paid by the</p> <p>10 auditor to transactions in the partnership</p> <p>11 between related parties?</p> <p>12 MR. KELLY: Objection.</p> <p>13 MR. TRAUB: Objection.</p> <p>14 A. Related party transaction?</p> <p>15 Q. Yes.</p> <p>16 A. Related party transactions are</p> <p>17 required to be disclosed. Related party</p> <p>18 transactions cannot be not disclosed on the</p> <p>19 basis that it's immaterial.</p> <p>20 Q. If a note was taken by any</p> <p>21 individual, by any of the managing general</p> <p>22 partners or a note payable to that general</p> <p>23 managing partner at any time, should that be</p> <p>24 material regardless of the amount of the</p> <p>25 note?</p>	<p>144</p> <p>1 Orley George Cameron</p> <p>2 MR. KELLY: Objection.</p> <p>3 Q. As to documentation?</p> <p>4 MR. TRAUB: Objection.</p> <p>5 A. I cannot agree because the standard</p> <p>6 would not permit me to agree with that.</p> <p>7 The standard requires that related</p> <p>8 party transactions be disclosed.</p> <p>9 Q. Are you aware of how many</p> <p>10 developments owned by the Seavey group</p> <p>11 maintain the management of the Dalton</p> <p>12 company and the auditing services of Marks</p> <p>13 Paneth & Shron, other than the four</p> <p>14 developments that John Edmonds is involved</p> <p>15 in? Are you aware of how many of those?</p> <p>16 MR. TRAUB: Objection.</p> <p>17 MR. KELLY: Objection.</p> <p>18 A. Based on the allocation that we</p> <p>19 received, I would assume -- not assume.</p> <p>20 Based on the salary allocation that</p> <p>21 we received, there are about twelve companies</p> <p>22 that are managed by Dalton Management.</p> <p>23 How many of them are audited by</p> <p>24 Marks Paneth & Shron, I don't know.</p> <p>25 MR. HAYWOODE: I have nothing</p>
<p>143</p> <p>1 Orley George Cameron</p> <p>2 MR. TRAUB: Objection.</p> <p>3 A. It may or may not be material, but</p> <p>4 it must be disclosed, the nature of that, the</p> <p>5 nature of that loan and, what do you call it,</p> <p>6 the terms of the note are required to be</p> <p>7 disclosed in their footnotes to the financial</p> <p>8 statement.</p> <p>9 Q. There was a note for \$29,000 that</p> <p>10 you came across, and I believe you testified</p> <p>11 about it a few seconds ago, and the issue was</p> <p>12 put to Mr. Jennings concerning the backup and</p> <p>13 support of that \$29,000; is that correct?</p> <p>14 MR. TRAUB: Objection, compound.</p> <p>15 MR. KELLY: Objection.</p> <p>16 A. I know Mr. Jennings had addressed it</p> <p>17 in his testimony, yes.</p> <p>18 Q. Do you recall his answer was that it</p> <p>19 was beneath the level of materiality?</p> <p>20 A. Yes.</p> <p>21 MR. KELLY: Objection.</p> <p>22 Q. Do you agree with that analysis of</p> <p>23 Mr. Jennings, that a \$29,000 loan payable to a</p> <p>24 managing general partner would be beneath the</p> <p>25 level of materiality?</p>	<p>145</p> <p>1 Orley George Cameron</p> <p>2 further.</p> <p>3 MR. KELLY: I have nothing.</p> <p>4 MR. TRAUB: I have nothing.</p> <p>5 MR. KELLY: Okay.</p> <p>6 (Time noted: 1:20 p.m.)</p>

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146		148	
1	Orley George Cameron	1	
2		2	INDEX
3		3	WITNESS EXAMINED BY PAGE
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5		5	116
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7		7	(Mr. Traub) 31
8		8	120
9		9	138
10	1, ORLEY GEORGE CAMERON, hereby	10	(Mr. Haywood) 111
11	certify that I have read the transcript	11	121
12	of my testimony taken under oath on the	12	140
13	21st day of April, 2009, that the	13	EXHIBITS
14	transcript is a true, complete and	14	DEFENDANT PAGE
15	correct record of what was asked,	15	FOR IDENTIFICATION
16	answered, and said during the deposition,	16	Exhibit 13: Copy of Subpoena issued
17	and that the answers on the record as	17	to Orley Cameron (sic). 5
18	given by me are true and correct.	18	Exhibit 14: Document entitled
19		19	"Independent Auditors'
20		20	Report." 32
21	ORLEY GEORGE CAMERON	21	Exhibit 15: Copy of document on the
22	Signed and subscribed to before me	22	letterhead of Cameron,
23	this ____ day of _____, 2009.	23	Griffiths & Pryce, to
24		24	Mr. John Edmonds, 39
25		25	Exhibit 16: Copy of Affidavit of
			Orley G. Cameron. 47
			Exhibit 17: Copy of document on the
			letterhead of Internal
			Revenue Service, Department
			of the Treasury, dated
			October 26, 2006. 76
	Notary Public		
147		149	
1	STATE OF NEW YORK)	1	ERRATA SHEET
2) ss:	2	CASE NAME: EDMONDS et al. vs. SEAVY et al.
3	COUNTY OF NEW YORK)	3	DEPOSITION DATE: April 22, 2009
4		4	NAME OF WITNESS: ORLEY GEORGE CAMERON
5		5	CHANGES
6	I, DONNA A. METZ, R.P.R., a Notary	6	PAGE LINE FROM TO
7	Public in and for the County of New York and	7	
8	State of New York, do hereby certify:	8	
9	That I reported the proceedings in	9	
10	the within entitled matter, and that the	10	
11	within transcript is a true record of such	11	
12	proceedings.	12	
13	I further certify that I am not	13	
14	related by blood or marriage to any of the	14	
15	parties in this matter and that I am in no way	15	
16	interested in the outcome of this matter.	16	
17	IN WITNESS WHEREOF, I have hereunto	17	
18	set my hand this 28th day of April, 2009.	18	
19		19	
20		20	
21		21	ORLEY GEORGE CAMERON
22	DONNA A. METZ, R.P.R.	22	Subscribed and sworn to before me
23	Notary Public	23	this ____ day of _____, 2009
24		24	(Notary Public) (commission expires)
25		25	

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